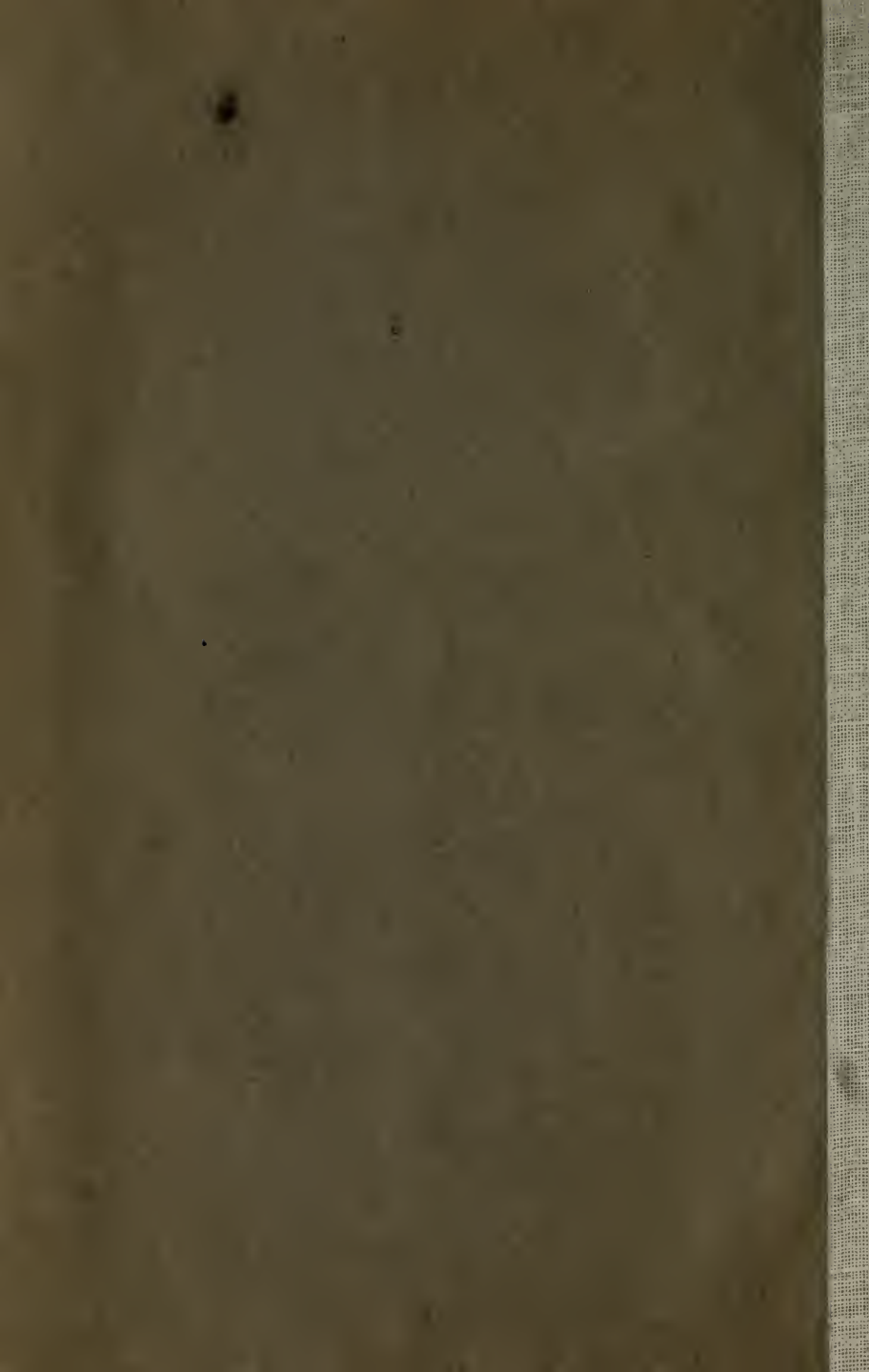


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THE PLAN

OF A

NATIONAL ESTABLISHMENT

FOR

COUNTRY BANKING,

AND THE PRINCIPLES BY WHICH IT IS RECOMMENDED;

ALSO, THE PROSPECTUS

OF THE

COMMITTEE WHICH HAS BEEN FORMED TO CARRY SUCH

AN ESTABLISHMENT INTO EFFECT.

LONDON :

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1831.

THE HISTORY OF THE

REIGN OF KING CHARLES THE FIRST

BY JOHN BURNET

IN TWO VOLUMES

LONDON

1704

Printed by J. Streater, at the Sign of the Gun, in St. Dunstons Church-yard

By W. Bland, at the Sign of the Crown, in St. Dunstons Church-yard

Printed by J. Streater, at the Sign of the Gun, in St. Dunstons Church-yard

THE PLAN, &c.

THE ENGLISH AND SCOTCH SYSTEMS OF BANKING EXAMINED AND CONTRASTED.

THE usefulness of Banks—the general consternation produced in a Country Town by a run upon them—at least fifty millions lost by failures in the last forty years—the equally baneful effects of the late panic.—The utility and importance of Banks to this commercial nation, need scarcely to be insisted upon. They are the medium through which all remittances of money, from one part of the country to the other, are made and received. They are the channel through which all bills are presented, when due, as a means of securing their punctual payment. The lauded proprietor finds them a convenient place of deposit for the ready money he possesses. The capitalist frequently lodges his money with them, in order to have it ready for any purchase he may have in view; and merchants and traders, of every denomination, find it convenient to deposit with them those sums which the current demands of their business require them at all times to possess. On the other hand the capital, thus placed in their hands, is, in part at least, re-advanced to the public in discounting bills, &c., and in affording facilities to commerce upon which the trading part of the community are led to depend; while their promissory notes furnish the country with a useful medium of circulation.

It may be proper, however, to observe, that this descrip-

tion applies more particularly to country banks. In London the circulation is exclusively in the hands of one Bank—the Bank of England; while the deposits of the public are chiefly made with the private banks. Whereas in the country these functions are united; and the country banks in their respective districts, are at once the fountains of the currency of the country, the reservoirs of its capital, and the source from whence the supplies of it are drawn. They are thus intimately connected with every class of society; every person who has any thing to do, either with capital or with money, to the amount at least of a bank note, is interested in their stability, and many have no other alternative but to trust them in amounts which they could not be deprived of in their business, even for a short time, without the ruin of their credit, if not their total ruin.

A peculiarly deep interest is consequently felt in the welfare of these banks. Nothing can in any manner affect them without exciting the immediate attention of the public, and, if it involve their credit, without its producing the greatest possible agitation and alarm. Thus, when the slightest apprehension is entertained respecting their solvency, however groundless it may sometimes prove to have been, a run upon them immediately takes place; that is, hundreds of people crowd the doors of the bank to demand payment of the notes they hold, or to withdraw that money out of their hands which they have deposited with them. This at once places them in danger of stopping payment, and puts a stop to their usual banking operations. People, consequently, cannot receive that accommodation upon which they have relied, and upon which the regularity of their payments and their credit depends. All is, therefore, confusion, and the whole community is thrown into a state of alarm and consternation which is better conceived than described.

The Bank of England, when there is a panic or run upon the banks in London, supplies, in some degree, by the great liberality with which it always comes forward on these occasions to assist the merchants, the want of the usual accommodation afforded by the private banks. By this means the evil, though still great, is much mitigated. But in the country the community have no such resource. Their only remedy is to stop the run by the restoration of confidence; to effect which every effort is generally made,

and great risks are sometimes run in consequence. It is not unusual for the friends of a bank so situated, to issue out bills or notices, pledging themselves to take its notes in payment to any amount. This, generally, has the effect of restoring confidence for a time, whether the bank is justly entitled to it or not; but were it to fail at the moment, many of the parties thus pledged would, in a majority of cases, inevitably be ruined. We may have some idea of the inconveniences in which the mercantile world are involved by such an event, when people are found wandering so far out of the track of ordinary prudence, as to guarantee the stability of establishments with whose affairs they have no intimate acquaintance, and whose insolvency would thus involve them in certain destruction.

Nothing, in fact, can affect the credit of the country banks without being immediately felt, in a corresponding degree, by the public; and the actual stoppage of an extensive banking concern deranges the whole frame of mercantile affairs, and carries confusion, misery and ruin, into every department of society.

Great, however, as the inconveniences are, which the discredit of banks and the consequent runs upon them occasion, and great as are the calamities by which their failures are uniformly attended, they have been in this country, as is well known, of very common occurrence. From the period of the general panic, which occurred in 1793, to the present time, there have been about three hundred and ninety bankruptcies, to which must be added compositions. These are generally reckoned as three to one—that is, as three compositions to one bankruptcy:—for instance, in the panic of 1793, more than one hundred banks failed, but only twenty-six became bankrupts. We must, therefore, to these three hundred and ninety bankruptcies, add eleven hundred and seventy compositions to obtain the total number of failures. This would make them amount to fifteen hundred and seventy; but we shall say one thousand, to be on the safe side.

Each of these, it must be observed, was like the bursting of a volcano in the district where it occurred, not only involving numbers in difficulties, and many in ruin, but ultimately bringing many to the grave—the lingering, but too frequent result of difficulties and distress. The loss by

some of these banks might not be great, but, if we take it on the average at £50,000., it will make a total loss of fifty millions; and if we add to this the losses produced by the insolvency of those whom these failures ruined, as well as the losses caused to others by the sacrifices imposed upon them to maintain their credit, and bear up against the shock which every failure produced, it will be obvious that this estimate is far below the truth.

Nor are the evils of the system confined to the mere failures of the banks, great as is the amount of evil thus caused. The general panic which occurred in 1825, and which was not attended with much loss from bank failures, inflicted at one blow upon the nation, an aggregate of loss and mischief, as great, if not infinitely greater, than that above stated. The contraction of the currency and fall in prices of all goods, as well as of agricultural produce, which was the consequence of it, and which spread itself over two or three years, could not amount, in the aggregate, to less than one hundred millions. It was the remark of the late Mr Huskisson that the panic had caused greater loss to the nation than the last three years of the war: during which, it may be remarked, the expenditure of Government was at least fifty millions a year more than it now is. With regard also to the misery produced by it; it is only necessary to observe that in London, where the commercial failures were much less numerous than might have been expected, the distress of mind produced by the panic was so general as to produce an epidemical disease, which the late Mr Abernethy called the city disease; and by which, no doubt, many were brought to a premature end.

Joint Stock Banks not liable to failure and panics.—Now, during all the time that England has been thus visited, the banks of Scotland have been totally free from these vicissitudes, not having lost more than thirty or forty thousand pounds by bank failures, and never having had a panic at all; a fact which it is curious to observe has only become generally known of late years. The effects of the late panic, indeed, were not confined to England, but afflicted every country in connexion with it, and Scotland among the rest. But the panic itself did not extend to Scotland; it was only known there by its effects.

This has arisen, as is well known, from the Scotch banks

being joint stock companies. In no part of England, previous to 1826, could any bank, according to the charter of the Bank of England, be formed with more than six partners. But the charter of the Bank of England did not extend to Scotland, and the banks in that country might have as many partners as they chose. The system of Scotland became, consequently, one chiefly of joint stock companies, which are more stable, and are preferred, by the public, to private banks.

A joint stock bank, as is well known, consists of a number of persons who subscribe amongst them a capital, and manage it by a committee of their number, called a court, or board of directors. The capital being either very large, or the partners, who are responsible to the public, being numerous, the public are rendered perfectly safe against ultimate loss, and the banks are thus secured against failure; while, on the other hand, they are secured against panic by the publicity of their proceedings, and the mutual support they are able and ready to afford each other.

Although the public might be ultimately safe with a bank, there would still be runs upon it if any apprehension were entertained that it might suspend its payments. The majority of persons who deposit money in it, do so under the impression that they have the power of withdrawing it at a moment's notice, and many, as has been already observed, would be injured in their credit, if not ruined, by only a suspension of this power, though for a limited period. Hence, if any apprehension were entertained of a bank stopping, however safe it might ultimately be, it would certainly produce a run upon it. But this is never apprehended with the Scotch banks. The directors are called upon to give, annually, an account of their stewardship, or at least, of the results, and declare a dividend of the profits made. They would no doubt have been required to give more than the mere results, did the shareholders apprehend any necessity for it; but public trusts, in this country, are generally executed with integrity, and no instance of any false statement having been knowingly made, this has not hitherto been considered requisite. This communication to the shareholders is also a communication to the world. The dividend paid is at all times a practical exposition of the state of the concern; so that, even with a small capital, the credit of the bank paying a dividend will generally remain un-

shaken. But were this not the case, being perfectly safe, the larger establishment would always assist it, in order to prevent the alarm spreading; for nothing is more unreasonable than fear, when once generated; and even should it not be doing well, and be disposed to wind up its affairs, being ultimately solvent, it would never have any difficulty in finding another bank willing to take upon it its obligations, and carry on its business as before. Thus, runs and panics from any cause are either avoided, or stopped the moment any indication of them appears.

With private banks in this country, though there is little doubt that many have large capitals, and are making great profits, and are in reality as safe as it is possible for any joint stock company to be, yet the public have no evidence of this: there is no authentic publication either of their capital or profits, and, in periods of alarm, these banks are, consequently, liable to the same distrust as weaker establishments. As weak banks obtain undue credit from the want of evidence by the public of their weakness, in consequence of this want of publicity, so strong banks frequently suffer unmerited distrust from the same want of evidence of their strength; a blind confidence necessarily leads to blind distrust; while nine times out of ten, when private banks wind up, they do it by first stopping payment. Neither can they assist each other, for they are all, in general, in discredit at the same time, and each is obliged to confine its attention to its own difficulties.

A more beneficial accommodation afforded to the public by the Scotch than the English Banks.—The credit of the Scotch banks is thus unbounded, more especially that of the principal establishments, which possess large capitals and a corresponding publicity; and this gives rise to a mode of dealing very beneficial to the country, which it is important to understand.

The public, possessing this superior confidence in them, make deposits with them to five times the extent they do in England. The Scotch, like the English country banks, give an interest upon money lodged in their hands; but in England the deposits with banks are very much confined to the amounts that people would, for their own convenience, be obliged to keep in their own houses, if they did not deal with a bank. In Scotland, on the contrary, people keep money in the banks, not merely as a place of conveni-

ence, but as a place of investment—a disposition which the banks encourage by making it likewise as convenient as possible. With this view they give the depositor an interest upon the balance in hand, so that if he only places five pounds in the bank he gets interest upon it from the day he deposits it; or if he draws out five pounds he only loses interest upon it from the day of its being withdrawn. This convenience, and that of the parties being themselves able to receive the interest for it on the spot, without powers of attorney or other legal proceedings, renders the banks a favorite place of deposit, more especially for small sums,—say not exceeding two hundred pounds. These on the aggregate, however, form a larger amount,—it is said at least twenty millions, of which more than two-thirds is in the hands of the five principal banks; and it is a curious fact, indicative of the permanency of these deposits, that though the banks have, since the war, reduced the interest they give, from 4 to 2 per cent., it has had little or no effect in reducing the amount of the money thus lodged with them.

Having thus, at all times, a very large amount of money which they can calculate upon never being materially reduced, either from panics or any other cause, their object is how to make the most of it. The private banker, who is continually expecting runs, can only advance money by discounting commercial bills, such as he can re-discount, should any sudden demand upon him arise. But the Scotch banks are not thus constrained; they can lend money in any way most conducive to their interests, and are in the habit of advancing it upon what are termed cash accounts. Any farmer, or any person in trade, by either finding two sureties, or any security that is good, may open an account with a bank and overdraw it to the extent of the security given, for which he is charged 4 per cent. on the balance he owes, he being allowed, within the limits prescribed, to increase or diminish it as he thinks proper.

The money thus advanced is the best employed capital in Scotland. It is chiefly lent to the prudent and industrious, who borrow it when they are poor and repay it as they become rich. It continually irrigates a large amount of skill and industry with capital, which would in a great degree be sterile without it, and is thus always productively engaged.

This, however, is what in England is called illegitimate

banking; but in Scotland it is the most legitimate of any, not only for the country, but for the banks, as they hardly ever make a bad debt by it. It would, no doubt, be illegitimate with private banks in England, because it would lock the money up, so that it could not be obtained at a short notice in the event of a panic. The only legitimate banking by the private banks in England is to lend money on bills, or employ it in the purchase of government securities. In either way, should it be wanted, it can be had again on a short notice; and those banks that do not strictly adhere to these modes of employing their money very generally repent it.

The English system gives rise to fluctuations in the currency which a Joint Stock system would in a great degree prevent.—This necessity of making advances in the country upon bills only, does not merely deprive the community of the advantages derived in Scotland from the system of cash accounts, but is also, as regards the currency, attended with other more serious evils.

The general prices of commodities are determined by the quantity of money in circulation, and the amount of the currency cannot be increased or diminished without a corresponding alteration in the value of property. This applies, more particularly in these kingdoms, to the currency of the country banks, by the medium of which five-sixths of the production and consumption of the nation is carried on. The Bank of England circulation, though great in amount, is chiefly employed in the higher departments of circulation. It has a less immediate effect upon the value of labour and commodities which enter into the cost of production, and by which the general value of all things is ultimately determined.

Now, the Bank of England, in dealing with the public, confines itself to discounting commercial bills, the same as the country banks; but when it has not a sufficient demand for money upon such bills, to keep up its circulation, it does so by purchasing exchequer bills. The same with the private bankers in London. The money deposited with them, which they cannot lend out at 4 per cent., they return into circulation, either by purchasing exchequer bills or stock, or perhaps more frequently by lending it upon the security of stock, at the best interest they can obtain. This is frequently not more

than 2 per cent., though they can always obtain one rate of interest or another. In London, consequently the system pursued by the banks, of only advancing money to their customers upon bills, is productive of no evil, because they have the Stock Exchange to resort to, by which to keep up the circulation to its proper level, when the demand for money upon bills at 4 per cent. is not sufficient for that purpose. But in the country, if the private banks cannot lend money upon commercial bills, at the rate of interest they charge, they cannot lend it at all, and their issues must be contracted in consequence. To this cause, it is not improbable, may be attributed the great fall of prices, and the agricultural and other distresses, which took place between the years 1818 and 1823. The Bank of England, during all that time, had hardly any commercial bills offered for discount, and was obliged to keep up its circulation by purchasing Exchequer bills, and making advances on mortgage; while the private bankers of London, like the Bank of England, were obliged to resort to the purchase of Exchequer bills, or loans upon stock, to employ the greater portion of their funds. Now in the country commercial bills were equally scarce, and the banks not having the power of issuing their notes in the purchase of, or in loans, upon Government securities, a great contraction of their issues, in consequence, took place. They were supposed to have been reduced nearly one-half, while the Bank of England kept up its circulation, in gold and paper together, as high as before*.

With joint stock banks of great credit the case would be different. Being enabled to lend upon permanent securities they could keep up their issues by loans of money on mortgage, &c. to parties who could employ it. For instance, the Scotch banks at that period, amongst other means of keeping up their issues, made great advances to builders †.

* Many intelligent persons supposed, at the time, this fall to have been produced by over production and glut; but it seems now very generally thought to have been chiefly caused by a contraction of the currency; and if so, there can be little doubt that we owe it principally to the feebleness of our banking system as thus described.

† The Scotch banks, no doubt, contracted their issues at this time also; but this they were compelled to do by the English banks. The English circulation, being so much the greatest, governs that of Scotland by means of the internal balance of trade and payments, though the efforts of the Scotch banks would retard the contraction generally.

The country banks of England in short ought to be the most powerful of joint stock companies. They ought not to be deterred by any want of credit from lending money, when they have it to lend, in any way in which there may be a demand for it, in order to make up for the want of that power possessed by the Bank of England, of issuing its notes in the purchase of Exchequer bills. This ought likewise to be more particularly the case in districts, where the agriculturists, who have no bills to discount, are the only borrowers, and who can never borrow with advantage to themselves except they be allowed their own time for repayment. Whereas, on the contrary, in a majority of cases, the banks in these districts are of the weakest description. The extent of business done and profits made are not sufficient to induce people of large capitals to undertake the trade. It is, consequently, pursued by parties of very limited property and credit, who, for their own security, are obliged to confine themselves to the narrowest principles of private banking.

The establishment of powerful joint stock banks is, of course, the remedy for these evils, and the good they would effect may be thus enumerated :

1st. They would prevent failures, by which the public have, in the last forty years, lost fifty millions, at least, if not twice that amount, besides the distress, misery, and mortality, with which the loss has been accompanied.

2d. They would prevent general panics, and the evils which follow in their train, of which some conception may be formed, when it is considered that, independent of the bank failures consequent on the late panic, it is probable that we suffered even more from it, than from the accumulated losses resulting from the thousand banks which have failed in the last forty years.

3d. It would prevent contractions of the currency, arising from the feeble credit of our system, which it is highly probable, was the cause of the agricultural distress of 1819, 20, 21, and 22, as well as the manufacturing and commercial distresses of the same period.

It may also be remarked, that it has been supposed that the circulation of the Bank of England governs that of the rest of the kingdom. But this has been disproved by experience, and in no instance more strikingly than the one in question.

4th. It would be the means of introducing capital, and supplying it to those who can turn it to good account ; and as agricultural capital has been very much destroyed of late years, and the productiveness of the soil has suffered in a corresponding degree, the introduction of these banks would help to supply the deficiency of capital, and restore cultivation to its former state.

THE RISK INCURRED BY, AND PROFITS DERIVED FROM,
THE ESTABLISHMENT OF JOINT STOCK BANKS.

In order, however, to establish joint stock banks, it is necessary that the public should subscribe to them; and the next point to examine is, the advantages they offer to induce the public to do so, as well as the probable disposition of the public upon the subject.

In this examination, there are two points to be considered; first, the risk which is incurred, and next, the profits that may be expected, as a compensation for the risk, and—

1st. *As to the risk.*—This is generally inferred to be considerable. Numerous instances may be pointed out of large fortunes having been made by banking; but, on the contrary, instances almost as numerous may be pointed out of large fortunes having been lost. Many banks indeed have failed, whose deficiencies would have swallowed up the capital of some of the largest of the joint stock companies now extant. Hence, banking is considered a trade of great risk and danger to the capital embarked in it, on the one hand, though it may frequently prove very profitable on the other. But this is an error. Banking is by no means a hazardous trade, under a proper system. Coach travelling would be attended with great risk if the coaches were bad, and the coachman did not possess the requisite knowledge of driving. But we trust ourselves in a coach with great confidence, because we are satisfied that care has been taken to have good coaches, and steady and experienced drivers. Now, if the same care were exercised in forming a bank, with a suitable capital for the business it undertakes, as is thus employed in fitting a coach for the services it has to perform; and if the same prudence and attention were devoted to choosing its managers, and seeing that they do their duty, as is usually given in choosing a coachman, and seeing that he does his, banking would not merely be attended with less risk than coach travelling—to which we daily trust our lives without apprehension—but would be attended with no risk whatever.

Banking need never be attended with any very serious

loss. Its profits are not intended to cover much risk, and, as a general rule, bankers are not expected to run any; while, with proper discrimination, they are easily preserved from doing so. Small banks, in country places, frequently go on for years without a bad debt. An agent for a Scotch bank, who discounted about £200,000. per annum, never made a bad debt during his agency; and when this fact was mentioned by the manager of the establishment he had been an agent twenty years. Even a city banker might be mentioned, who, in twenty years, never made a bad debt of £500., notwithstanding he more than doubled the business and connexions of his house in the time; which, of course, implied, that he was a liberal as well as a prudent banker. Indeed the most discriminating bankers are, in general, the most liberal, for they know when to be so. To be safe, however, is not difficult. It was once remarked by the intelligent banker in question, more in joke no doubt than in earnest, that a man might do very well for a banker if he were but stupid and selfish. At all events it requires a degree of prudence and judgment to be a good banker, which all men do not possess; and it is difficult to determine, without a good deal of previous knowledge of an individual, whether he be fit to manage a bank or not. Yet many persons are placed in the management of private banks, not only whose fitness has never been properly ascertained, but whose management is never looked after by his partners. It frequently happens, consequently, that such persons mismanage; get themselves and the bank involved in difficulties; and, finally, ruin the concern, and all connected with it. It must, however, be remarked, that this generally takes many years to do: that, not only are large fortunes never lost in banking at once, but that they are hardly ever lost at any time by a fair and legitimate accumulation of bad debts. The failure of a bank is generally a thunder-stroke to the public. But if the deficiency be considerable, it has seldom taken less than ten or a dozen years of folly, and frequently of fraud also, to accomplish it; and often a much longer period.

With joint stock banks, on the contrary, no accumulation of losses can occur. Being managed by directors of property and respectability, who annually make an exposition of its affairs, a bank would be given up long before

its losses could amount to any thing very considerable. Those who have traced the causes which have led to the failures of private banks, have generally admitted that these causes either never could have existed at all, with properly constituted joint stock banks, or, otherwise, never could have led to the same results. The evil would have been met and strangled at the outset by, at all events, the dissolution of the bank, if not by other means.

This, indeed, would be the interest of the directors themselves, who, being shareholders, could gain nothing by pursuing an unsuccessful trade; while they would not only lose their property, but their credit with the world, by attempting it: and an honourable distinction is, in general, one of the chief motives for people undertaking the trouble which the management of banks involves. Persons, however, are generally chosen directors of joint stock banks for their commercial knowledge and known prudence,—men who have attained experience in life, and who have succeeded in the management of their own affairs; or, at all events, there are a portion of such men in every direction, to whom the shareholders more particularly look for the establishment being properly conducted. When two or three of these men agree in the propriety of any transaction there is seldom any risk in it, and if the trade will yield a profit, they rarely fail to make it do so. They, likewise, take care to be assisted by officers of competent talents and experience, who could manage the bank without them if it were necessary, so that there is little risk of the management being bad; and, with good management, there is nothing to apprehend.

Banking is thus a safe business in proper hands; and the difference between a joint stock bank and a private bank is, that with the former a proper choice of managers is invariably made, but not with the latter. Hence, instead of some of the joint stock banks making a great deal of money, and others losing a great deal, as is the case with private banks in England, they generally make a pretty uniform and steady profit, and corresponding dividends. This, at least, is the case with the larger establishments, as may be seen by the price of their respective stocks. The following, for instance, is a list of the dividends paid by the five great Scotch banks, the market prices of their

stocks, and the value which 3 per cent. of their dividends is worth at such market price.

	Amount of Capital. £.	Dividends per Cent.	Price of the Stock per Cent.	Price of 3 per Cent. of each Dividend.
Bank of Scotland... ..	1,500,000	6 per cent.	177	88-10
Royal ditto ditto	1,500,000	6 per ditto	156	78
Commercial ditto ditto	600,000	6 per ditto	159	79-10
National ditto ditto ..	500,000	5 per ditto	136	81-12
British Linen Company	500,000	8 per ditto	242 10	90-18
Total ...		£31	£870	Average £83-14

The above is from Wetenhall's list of the 27th May, 1831, on which day the highest price of the 3 per cent. consols was £83. and a fraction. Thus, on the average, the stock of the Scotch banks is as high as the stock of government.

The dividends of these banks, it must also be observed, greatly depend upon the annual profits derived from their respective trades; more especially the three last. The capitals of these will, at 4 per cent. yield, two of them £20,000. each, and the other one £24,000. independent of their trade. But they have large and expensive establishments in Edinburgh, and somewhat about thirty branch establishments each; so that their standing expenses to be paid, whether they make any profit or not, cannot be less than from 20 or £30,000. each, or at all events, not less than the amount of interest they derive from their capitals. Their standing expenditure being thus at least equal to their standing income, their dividends must be exclusively paid out of the annual profits of banking, which it is obvious, if it were a hazardous business, could never be done with that certainty which is calculated upon.

It should, however, be observed, that these companies must be instituted in places where proper directors are to be had, and be on a sufficiently large scale to pay the expense of a proper establishment, and a proper system of checks, in order to afford this certainty as to the annual returns. If the machine be not rightly constructed, there cannot be the same security for its working well. In Scotland, within these last few years, two small banks have

suffered each a very considerable loss from want of such a system of checks, and such a board of directors. They were established in small places, where proper commercial men for directors, were not to be had. An incompetent direction was, consequently, in each case formed, who, in both cases, left the management to the principal officer of the establishment without looking properly after him, and, in both cases he was led to speculate, and make away with the bank's money. If these banks had been branches of a larger establishment, this could not have occurred. Accounts would have been sent to the parent bank of the state of each branch, and an intelligent inspector have been sent, from time to time, to see that all was right, and that the accounts furnished gave a faithful view of the actual state of things. This he would, from his practical experience, be able to discover without difficulty. That which would blind the eyes of an inexperienced director would open his. In short, subject to such inspection, fraud would rarely be attempted, and could never succeed. But the temptation which the uncontrolled command of money affords, cannot always be resisted, even by parties who, without such temptation, would have done well, both for their employers and themselves. The larger establishments have also occasionally lost money by the fraud of agents, but not of late years, and never to affect their dividends. The system of accounts and management now employed render such losses extremely improbable, if not impracticable.

Hence, our remarks must be considered as exclusively applicable to large establishments, where the joint stock system of management exists in its greatest perfection,—where a division of labour, practical intelligence, clear accounts, and a fair share of judgement and experience, as well as integrity, must, in the nature of things, be applied to the management, and where proper checks are preserved without effort, as a part of the machinery of the system.

Now, government securities bring their present prices in the market, because unbounded confidence is reposed in the resources, the good faith, and the stability, of the government; and no doubt is entertained of the payment of the dividends. The 3 per cents would not sell at 83, if any apprehension was entertained that the interest would be reduced from 3 to 2 per cent., from inability to pay more.

And it is precisely for the same reason, that the stocks of the Scotch banks sell as high as the stocks of Government. Not only have all the five banks referred to continued to pay dividends from their first establishment (two or three of them having been in existence for upwards of one hundred years), but no apprehension is entertained that the dividend will, hereafter, be reduced in any degree. They have been diminished since the war, and are now considered to be at the peace level; yet, if the trade was one of great hazard, this confidence could never be felt.

It must be likewise observed, that we are now considering, not merely the risk of making profit, but the risk of losing the capital. The public have been so much in the habit, as before observed, of seeing large fortunes swallowed up by banks, that they do not subscribe their money to any institution bearing the name, without apprehending the possibility, at least, of a similar result. But when we see, in a long succession of years, that the larger joint stock banks have not only never been ruined, but have always been enabled to divide a greater or less amount of profits, we must be satisfied that these apprehensions, however just as applied to private banks, are, with respect to such institutions, quite unfounded; and we may, therefore, conclude, that if banks of a similar description be established there can be no danger whatever in subscribing to them.

2d. *With respect to the profits derived from Joint Stock Banks.*—Having thus shown that there is no danger in subscribing to joint stock banking companies of a given magnitude, we shall next consider the profits that may be expected from them.

In subscribing to a new undertaking, the object, in general, is not only to obtain a good interest, but to improve the principal sum embarked. This, in a bank, if it be successful, the subscriber is enabled to do by selling his share or interest in the concern. Such, indeed, is his only mode of retiring from it; and few people will have any connexion with a commercial undertaking which they do not expect to retire from with the advantage. Hence, in subscribing to a new bank, the public are led to consider the probable future price of its stock, the same as they would that of an estate, or any other thing in which they embarked their capital, not for the sake of income alone, but in anticipation of again selling it. In forming a bank, also, if there be any risk of loss, they run it, and they are en-

titled to any gain, on the other hand, that may be the result. Hence, with reference to the formation of banks, we are necessarily led to consider the price at which their stocks are likely to sell after they are formed.

In this respect the present appears to be a very favorable time for their establishment, even much more favorable than during the war, when the profits of banking, like all other profits, were much higher than they are at present. This will be evident upon reference to the following account of the price of stock, and of the amount of the dividends of the Bank of Scotland, since the year 1810.

Dividend upon paid up Capital.	Price of the Stock per cent. on paid up Capital.*	£.	s.	d.
In 1811 $7\frac{1}{2}$ per cent.....		169	16	0
1812 $7\frac{1}{2}$ —		169	11	0
1813 $7\frac{1}{2}$ —		165	19	0
1814 $7\frac{1}{2}$ —		171	0	0
1815 $7\frac{1}{2}$ —		167	8	0
1816 $7\frac{1}{2}$ $8\frac{1}{2}$ —		167	8	0
1817 $8\frac{1}{2}$ $9\frac{1}{2}$ —		201	4	0
1818 $9\frac{1}{2}$ — and a bonus of 20 percent.		255	14	0
1819 $9\frac{1}{2}$ —		243	0	0
1820 $9\frac{1}{2}$ —		239	10	0
1821 $9\frac{1}{2}$ —		237	4	0
1822 $9\frac{1}{2}$ —		247	13	0
1823 $9\frac{1}{2}$ 8 —		233	10	0
1824 8 —		242	1	0
1825 8 — and a bonus of 20 per cent.		262	0	0
1826 8 —		229	19	0
1827 6 —		209	8	0
1828 6 —		207	12	0
1829 6 —		207	12	3
1830 6 —		205	5	8

The Bank of Scotland, it must be observed, never pays its dividend out of any fund except income legitimately derived from the interest of its capital, and from the profits of banking. But during the war, the Bank, from the high rate of interest obtained, was induced to invest largely in

* The price of the stock of this bank, in the Stock Exchange lists, is quoted at its price per share, upon which £83. 13s. 4d. has been paid. The dividend, however, is given as above stated.

Government securities. From the sale of these, a great profit was realized on the return of peace, which the Bank divided, by giving its shareholders the two bonuses of 20 per cent. above mentioned; and the dividends now paid, are derived from the interest of its capital and profits of banking annually made, the same as during the war.

A similar scale of prices and dividends of the other Scotch banks that are governed by the same principles, would show the same results.

It is thus seen, that though the dividends are now 20 per cent. less than in 1811, a period when banking was considered to be in its most flourishing state, the price of the shares are nearly 20 per cent. higher. Hence, to the shareholders, banking is, in the market, more valuable now than it was then. A person concerned in forming a new bank, in which he will obtain his shares at par, may expect to make 20 per cent. more by the sale of them.

We have, however, much more direct proof of the advantages likely to result from the formation of banks in England in the success of those which have been already formed. In 1826, immediately after the panic, the Government, as is well known, obtained from the Bank of England its concurrence to an Act of Parliament being passed to enable joint stock banks to be established at a distance of not less than sixty-five miles from London.

It was some little time, however, before banks began to be established under this Act, and the first were formed with difficulty. Three out of the first four did not obtain subscriptions for more than two thirds of their capitals, and it was, in each case, a question of much doubt whether they should be able to obtain subscribers sufficient to enable them to go on. Their success, however, exceeded all expectation: for within two years after their establishment, sales of their shares were made at the following premiums upon the capital paid up.

The Lancaster Bank Shares sold at	100	per cent.	prem.
The Huddersfield Bank do.....	50		do.
The Bradford Bank do.	50		do.
The Norwich Bank do.....	50		do.

This was the result of actual success. In the first instance their shares were unsaleable, and a forced sale at least, could only have been made at a discount. These

premiums have since varied: the shares of the Lancaster bank have fallen to 60 per cent., and the Norwich have also fallen; but the Huddersfield have risen considerably; and the last sale of the shares of the Bradford bank were made at 130 premium; so that, upon the average, they have been maintained.

Banks, however, since then have, in a majority of cases, been subscribed to with great eagerness when people of respectability were found to form them. Eight or nine more have consequently been established, and it is understood that the shares of all of them sell for a greater or less amount of premium. The following may be quoted as the premiums of some of them.

The Birmingham Bank	120 per cent.
The Halifax Bank	50 per cent.
The Workington Bank	50 per cent.
The Manchester Bank	25 per cent.
&c. &c.	

Now none of these premiums have been given in anticipation of success, and, in general, they have risen gradually, each succeeding sale being at a higher rate than the last.

After this, little further need be observed upon the benefits to be derived from forming joint stock banks in England, to those who form them.

These banks, it may likewise be observed, for the most part, have had no peculiar advantages. They in general have had very powerful old established private banks to compete with, and yet have succeeded in this extraordinary manner. In Norwich, for instance, where the private banks are extremely popular and powerful, one recently gave up business, and two thirds of its customers, notwithstanding the superiority of the private banks they had the option to deal with; transferred their accounts to the joint stock company. Having made, however, a considerable bad debt, its shares do not at present bear the premium they did, though the bank will not sell what it holds itself, at less than 50 per cent., the premium which they have hitherto borne.

THE NECESSITY FOR METROPOLITAN INSTITUTIONS.

The limited number of Joint Stock Banks formed, compared with the opening for them.—The joint stock banks which have been established under the Act of 1826, have chiefly been so in principal towns; but they can flourish, more especially in agricultural districts, where private banks cannot exist. Their superior credit enables them to obtain deposits at a lower rate of interest on the one hand, and lend them out again at a higher rate of interest on the other. They thus have the power of making profits where the private bank can make none. For instance, the shares of the Workington Bank are at 50 per cent. premium, though it is instituted where there had not been a private bank for twenty years: it being, in that respect, an exception to the other establishments. In Scotland, also, the convenience of banking is extended to numerous districts, where private banks could not clear their expenses. In proof of which, it may be also mentioned, that in the little village of Coldstream, known to most northern travellers as being situated, in an agricultural district, on the borders of Scotland and Northumberland, there is a branch of one of the principal Scotch banks, which does more banking business than is transacted in any town of that extensive county, except Newcastle and Shields; although there are several other towns that would afford five times the business of Coldstream, to establishments on the same system.

It may be likewise observed, that a public bank would be considered in a flourishing state with an amount of profit which a private banker would consider tantamount to doing business for nothing. If a joint stock bank, with £100,000 capital, paid a dividend of 5 per cent., although the shareholders were liable, the same as in a private bank, to the whole extent of their property for the debts of the concern, the shares would not sell for less than 20 or 30 per cent. premium, and the bank would be considered to be doing well; but if an individual were to embark £100,000 capital in a private bank, and risk a large fortune in it besides,

he would think himself very poorly compensated indeed, if he could not draw more than £5,000. per annum from it; that is, not more than £1,000. per annum above the common rate of interest, for his capital, as a compensation for all the labour, the risk, and the anxieties of the business.

It must thus be obvious, that joint stock companies can at once do with less, and make more profits, than private banks, and that consequently, the one must, in a great degree, supercede the other, wherever they are brought into competition.

This, at least, will be the case in the smaller towns where private banks are not so wealthy and powerful, and also in agricultural districts. In large towns they will still be able to maintain themselves; for many persons, more especially amongst the more wealthy classes, unquestionably prefer the greater secrecy and civility to be met with from them. In Edinburgh, for instance, Sir Wm. Forbes and Co., a private bank, does as much business, if not more, than any of the public companies; and there are several other private banks, who each have a very considerable business. Thus, in large towns, the business will only be divided with, but in small places it will be absorbed by, joint stock banks. Hence, it is, sufficiently obvious, that wherever there is a private bank, there is an opening for a joint stock company, or branch of one, as also in many other places, where there is at present, no bank at all. Now there are upwards of four hundred places, in England and Wales, which possess private banks; yet notwithstanding this, and the great encouragement which the success of those already established holds out to induce the public to form them, not more than a dozen, or say with branches, about twenty places have been occupied by them; and these, as before mentioned, chiefly large towns, where private banking exists in the greatest perfection, and where improvement is the least required.

The reason why so few Joint Stock Banks have been formed.—Nor does this arise from any want of disposition in the public at large to subscribe to them; although they have in general been formed with small capitals, and the shareholders are personally responsible for their engagements, should their capitals prove insufficient for the public security. On the contrary, all those which have been recently instituted have been subscribed to with the greatest avidity. But the public naturally wish, and expect to see, persons of considerable respectability at the head of them,

before they will undertake this responsibility, and such persons are slow in coming forward.

This arises from two or three causes. First: They have not always the requisite information and knowledge how to proceed. In the next place, many are deterred by the personal responsibility which is involved; and in the third place, all the leading and wealthy persons in towns, are more or less intimate, and friendly with the existing bankers, and do not wish to take a lead in any measure that may be injurious to them, notwithstanding the imperative call there is for such institutions.

Indeed this feeling, which is one in favor of the rich against the poor, is very general, even with those who ought to be governed by other principles, especially in a matter of such importance to the general welfare. Indeed, the argument in favor of the existing system is, that the bankers generally, are rich. If they were poor, it is universally admitted that they would be entitled to no consideration; but as they are rich—the ruinous effects produced by fluctuations in the currency—the evils caused by a thousand failures—the desolation of repeated panics, and the bursting of ten thousand hearts, are nothing, in the opinion of some, to the injustice which has been inflicted upon them, in questioning the fitness of the system from which these evils have sprung. Neither would a change of system be injurious to those who are really dependent upon the present one, whether as clerks or acting partners. New banks never desire to start with inexperienced persons, in any department; and the new system would cause a much greater demand for such persons than the old one: their services would be as desirable and as valuable, and be fully as well compensated, as they are at present. The effect would chiefly be to diminish the profits of the rich and independent bankers, many of whom, no doubt, might be induced in consequence, to retire from the trade altogether.

Metropolitan Institutions the best means of effecting the improvement.—At all events it must be obvious, from the slow advance already made in the establishment of joint stock banks, that no great dependence can be placed upon the local efforts of individuals, in promoting their formation. The impulse must evidently be given from a distance, and London is the place from which it ought to proceed. The best banks in Scotland are metropolitan institutions, which spread themselves over the country by

means of branch establishments ; and though there are local joint stock banks in the chief provincial towns of that country, similar to those which have been formed in England, they were not instituted until the chartered banks had first established branches in these places. It was likewise not before the provincial bank of Ireland, a London company, had established branches in Ireland, that any local joint stock banks were formed, or any other steps taken to practically improve the banking system of that country.

Hence, it is by metropolitan institutions that the improvement must be brought about. In Belfast, for instance, as soon as the Provincial Bank of Ireland and the Bank of Ireland formed branches there, the two private banks of the place formed themselves in joint stock companies, the richer partners retiring, and the acting partners making very advantageous terms for themselves by the arrangement ; and the same effect would no doubt be produced in England. Indeed, in many places, the banks would be very glad to give up their business to the branch of any joint stock bank that would take it off their hands ; for the business of many bankers has ceased to be worth pursuing, and the difficulty of winding up a banking business is very considerable.

Hence, if local banks were most desired, the formation of metropolitan establishments, in the first instance, would be the best means of introducing them.

The Banks which have been formed of the worst description.—As has been before observed, the most powerful of joint stock companies are necessary, in order to conduct the banking business in the country parts of England, on the principles most conducive to the interests and safety of the public. Whereas, those which have been formed are in general of the worst description of such establishments : the great majority of them not having more capital than from thirty to fifty thousand pounds.

Such banks not being able to pay the expense of a proper system of checks, and possessing a more confined knowledge on banking subjects, are at once more liable to loss, and less able to bear it. While, on the other hand, with such small capitals, they could never conduct their operations upon any broad scale of public accommodation. With resources so limited, they must, like private banks, keep their funds more within their reach ; and in agricultural

districts, where banking accommodation of a permanent description is so much required, such banks would be unable to afford it on the principles and to the extent necessary. For the same reason they would be unable to prevent contractions of the currency. As has been before observed, they must not, for this purpose, be deterred from lending money upon any good security that the public may have to offer, when a sufficient demand for it is not found to exist, in the ordinary channels—a mode of dealing which these banks could never adopt, whatever might be the necessity for it. Neither, on the other hand, does the insulated position of such banks afford them the information requisite to govern themselves in checking any undue enlargement of their issues, when the demand for money, at the current rate of interest, exceeding the supply, causes a tendency to such undue enlargement, and renders the exercise of an intelligent and judicious control over their operations, necessary.

In short, though these banks, as in Scotland, may do very well if the system be upheld by more powerful establishments, yet, unsupported by such institutions, they would, however general, not be productive of the benefit required. Neither would it be proper to term the exclusive introduction of such establishments an adoption of the Scotch system, as three fourths of the banking business of Scotland, or at least of that part possessed by the joint stock companies, is in the hands of the metropolitan banks and their branches. The smaller banks are rather the exception than the rule. Properly speaking, the Scotch, is a system of metropolitan establishments.

The amount of capital possessed by these banks, it may also be observed, though very inadequate in their present form, would have been very ample, had they consisted of one company. With a large establishment, a much smaller amount of capital is requisite than with a number of small ones. The British Linen Company is a chartered bank, and its shareholders are not personally responsible for its engagement. It has also about twenty-five establishments; and if its capital were equally divided amongst them, it would give £20,000. to each—a sum totally inadequate to sustain the credit of the least of its branches; yet, united, its capital is amply sufficient for any business it can obtain. But it would take two or three millions of capital to command the credit necessary for the business transacted, were

each branch an independent company. So with the banks formed. United, their capitals would be ample, but, at present, they are totally unequal to the duties which, it is the interest of the public, they should be able to perform.

Under whatever view, therefore, the subject be considered, metropolitan banks are the proper establishments by which to effect the improvement required. Whether it be as a means of stimulating the formation of local banks in the country; or of supporting those already formed; or of giving accommodation to the country by a better system of dealing; or of applying the largest amount of credit to the business of banking, with the smallest amount of capital, as in Scotland—a system which is not only the best, but must, in the end, be the cheapest for the country.

Besides this, such banks are required as a stay and support to the existing private bankers, who will never be altogether superseded, and whom it is, consequently, desirable should be upheld. A great source of embarrassment to private banks, in periods of difficulty, results from their having to apply to London for assistance. If they could obtain it on the spot, which will be the case when metropolitan establishments have formed branches in their respective neighbourhoods, it will enable them to do business on much less confined terms, and more successfully maintain themselves against the competition they will have to encounter. Nor will such assistance ever be refused, or niggardly afforded: for, independent of the rivalry of such institutions towards private banks never being a jealous one, they consider themselves the conservators of public credit, and bound at all times to take the most efficient means of preventing the embarrassments resulting from panic.

Thus, in every point of view, metropolitan institutions are the institutions required.

THE PLAN OF A NATIONAL ESTABLISHMENT FOR COUNTRY
BANKING, PROPOSED AND EXAMINED.

As a metropolitan system is thus the one required, the desired improvement must, of course, be introduced by the formation of a bank upon that system; and the plan to be adopted is the next subject of consideration. The object, must be to form as complete an establishment as possible; and, in doing this, we must not make an implicit, but an intelligent use of the experience derived from existing institutions. We must not adopt their plans without analyzing them, and seeing how far they are likely to suit us. We must ascertain how far they may be accommodated to local circumstances, not existing with us; and whether, which is the great point for us to consider, they will admit of the branch system being carried to the extent we require. It would, of course, be desirable to form an establishment that would at once introduce the joint stock system into all parts of the country, prove a stay and support to the existing private banks, and give that firmness and texture to the whole of our banking system which it so much requires.

The Scotch and Irish Systems of Branches not adapted to England.—There are two modes of conducting branch establishments at present in use, namely, that of the Scotch banks, and that of the Provincial Bank of Ireland.

The metropolitan Scotch banks have branches in all the towns and many of the villages of Scotland, where they do business upon the same principles as at the parent establishment, viz. borrowing money at interest, and lending it to any extent upon good security. These branches are conducted by agents under the direction and controul of the parent bank. But the power of lending money is a dangerous one in the hands of many persons; and the Scotch banks not only pay their agents a fixed salary, that they may not be tempted to do improper business for the sake of a commission, but they make them answerable for the

bad debts they may contract, and find large security that this may not be merely a nominal obligation. This, it might be presumed, would be an effectual check against imprudent advances; but it is not so in all cases; and they find it necessary to possess, from week to week, a clear view of their transactions, and to exercise an immediate directing controul over them besides. For this purpose the Directors have such returns sent them, as enables them to keep duplicate books, by which they know at once the state of every man's account, and they also require to be referred to by the agents before any loans are granted above a certain sum. In addition to this, they continually send inspectors to examine into the transaction on the spot; and some of them have every bill, discounted, sent up to Edinburgh, to be overlooked. All this, it must be likewise observed, is found necessary in a country thinly populated, where individual credit is easily appreciated, and where the connection of Edinburgh, the seat of these banks, with all parts of the country, is so intimate, that the personal character and credit of every man of any business in the kingdom is either intimately known, or easily ascertained.

Now, in England, it must be observed in the first place, that prudent men could not be had for agents who would guarantee the debts, or who, if they did, could find security as in Scotland, where personal confidence is more generally entertained, and mutual assistance more easily afforded; and in the next, that there is not the same power of ascertaining the safety of their proceedings. The country is more populous and less united, and the character and transactions of people less known to each other. It may, therefore, be very much doubted whether the system of simple agency would answer in England at all. It has not been found to answer in the case of private banks, very few of whom have any agencies. The Bank of England has, indeed, adopted it. But it does not transact business on the system which it is proposed to introduce. The directors limit their advances to the discounting of bills upon London, the character of which they can in some degree appreciate from their own knowledge, and which are sent up to London for examination each day as they are discounted. This gives the bank a tolerable good check over its agents; but it is a system neither suited to the bank nor the country; for while it affords no accommodation to the public, that

could not be elsewhere obtained, it yields no profit to the bank. It is, indeed, only by doing business for little or no profit, that it gets any business to do.

If, however, we assume that agencies, with the Scotch system of business, could be adopted in England, they still could not be so to any extent.

One board of directors can only go through a given quantity of business; and overlooking, controuling, and directing the transactions in detail, of twenty or thirty agencies, with each a considerable business, would be as many, if not more, than they could manage. Some of the Scotch banks, indeed, have more than that number; but many of them are in villages and places where very little business is done, and where the agent, with any prudence, could hardly get wrong, at least with the strong motives he has to keep right. These, consequently, give little trouble. The business of one large town would be as great, and require more attention than thirty such agencies. The Royal Bank of Scotland has only one branch, namely, in Glasgow, where it does a very extensive business; and we know of no other reason why it has not more, than that it finds this one as much as it can manage.

In short, a system of mere agency, it is probable, would not answer, except upon a limited scale, in any other country but Scotland; and in forming the Provincial Bank of Ireland,—an establishment with its head office and seat of direction in London, while its branches are in the chief provincial towns of Ireland,—it was thought necessary to improve upon it. With each agent was, therefore, associated a local board of directors, consisting of the most intelligent and respectable commercial people of the place. The advantages of this system are, first, that a complete check is placed upon the agent, with respect to the cash, which is regularly inspected by the local board; and next, that the local knowledge of men of respectability and experience is obtained, in determining the prudence of advances. Such minute details as are furnished by the Scotch branches, as well as duplicate accounts, are consequently unnecessary, and more confidence can, of course, be placed in the safety of the transactions of each branch. Notwithstanding this, it is still requisite that all advances, above a particular sum, should be referred to London, and that the general operations of each branch should be reviewed and directed

by the London board. The local directors are highly respectable, and as much to be trusted without controul as other directors; but not being interested in the success of their own management in particular, or responsible for it to the shareholders, those who are responsible, must be made acquainted with it, and consulted about it. Besides which, each branch being only a part of a large establishment, the local directors have not the knowledge necessary to enable them to determine the prudence of advances with reference to the state of the company's funds. Thus a constant system of references to London, and attention by the London board to the details of each branch becomes necessary, and requires much time and consideration. The London board consequently, though it has only fifteen branches, sits every day, and finds its time fully occupied. Hence it will be obvious, that though this system, assuming that it might be extended farther than the Provincial Bank has found it necessary, it could not be carried to any thing like the extent required.

There is, also, another objection to both the Scotch and Provincial Bank of Ireland branches, which is, that they could not stand the competition of local joint stock banks. These having a body of local shareholders, and a board of directors, responsible for their success, would be managed with more zeal and interest, and gain a preference. The Scotch banks find that although their superior credit and resources give them an advantage in some respects, yet a well-managed local bank will frequently prove too much for them, and obtain the best business of the place. This is still more likely to occur in England; and it might be with certainty calculated upon, that the agencies of a London establishment, would eventually generate local competition, which would take their best customers from them; and that in the end they would prove to be nothing but the pioneers of a local and an inferior system, and this would neither be desirable for the London establishments, nor yet for the country.

These systems an exception rather than a rule.—It is therefore obvious, that we must endeavour to improve upon these systems. We must have branches that can be more easily managed, and whose business cannot be so easily taken from them. Nor will this be a matter of much difficulty. The agency system is by no means the most ap-

proved ; and the practice of the Scotch banks is rather an exception than a rule.

The usual mode with those who have establishments at a distance, where a discretionary power must be exercised, is to have them conducted by partners. People of greater responsibility, and more entitled to confidence, can be had for partners than for agents ; and it is likewise found by experience, that even good agents make still better partners ; that more confidence can be reposed in them in one character than in the other ; and that to engage all their powers of mind, as well as their time and attention in your service, you must give them an interest in their own exertions. To manage, therefore, a business at a distance by agents, though sometimes done, is, as before observed, rather an exception than a rule. This is also more particularly the case with banking in England, where management by agents is not found to answer, while management by partners is. A country banker, with different establishments, has always a managing partner in each. Each establishment is a separate bank, and the managing partner is, in general, only concerned in the bank he manages. Take Messrs. Gurney, of Norwich, for example, who are well-known for the success and extent to which they have carried country banking. They have a great many different banks, all of which are managed by partners ; and these, if not a branch of the family, are generally persons of business, of property, and of prudence, selected on the spot.

Now it is not necessary to propose that a public bank shall enter into partnership with individuals ; but a public partnership may be formed, and that too, with the same advantages over a private partnership, that a public bank has over a private one.

The plan for this purpose is remarkably simple.

THE PLAN PROPOSED.

Let each branch be a separate bank.

Let it have a body of local shareholders, who shall take, we shall say, one-half the profits, and one-half the risks of the concern.

Let it be managed by a local board of directors, chosen by the local shareholders, subject to the review and controul of the London board.

This is nothing more than Messrs. Gurneys' principle applied to public banking; and their principle of management will have equally to be adopted. Their acting-partner of course exerts himself to extend the business of the bank, and render it profitable. In this his interest is their security for his zeal. But they will have proper accounts furnished them at stated periods, and occasionally visit the bank themselves, in order to know how far they can depend upon his integrity and discretion. Should the bank be prudently conducted, and yield a satisfactory profit, their object is attained, and they will seldom interfere with the management; and at all times their interference will be the exception, and not the rule. But should it not be well conducted, they, no doubt, will interfere effectually, and either improve the management, or get rid of the acting partner who does not answer their purpose, and endeavour to obtain another who will; or otherwise, if the establishment will not pay, give it up.

This is precisely the plan to be pursued by a joint stock bank, upon the plan proposed. The London directors will receive proper returns, and occasionally send inspectors to examine the books, and report upon the state of each bank; and they will reserve to themselves the power of interfering in whatever manner they may find necessary, or think useful. But so long as a bank is well managed and successful, they will have no motives for interfering, and have little or no trouble with it.

The branches will be well managed.—That they will, in general, be well managed may also be safely inferred. In the first place, the directors will be chosen, as is uniformly the case, for their known prudence, property, and respectability; and as it has been found by experience that boards of directors so constituted, generally manage well, it may be inferred that they will equally do so in this case. But they will also have stronger motives for good management than ordinary. They will not only have an interest in the bank themselves, and annually have to report the result of their management to a meeting of their constituents, which are the usual motives, but they will have to give a more detailed account, to more competent judges, of what good management consists in, which will, of course, render them still more particular. They also, it must be recollected, will be shareholders in their own establishment only, and in consequence will have much stronger reasons for being

anxious to succeed, than even the London directors. The London company will have a great many branches; and if they are successful, upon the average, it will answer their purpose. They, therefore, need not be so anxious about the success of any one in particular: the good will pay for the bad. But not so the local directors. Their local constituents will have no such means of compensation, and must immediately suffer and feel, in the loss of capital or of dividend, the injury which the mismanagement, or the misfortunes of the branch, may inflict upon them.

Thus when it is considered that these branches will be managed by men as respectable in their sphere, and as fit to be entrusted with the uncontroled management of any bank, as the London Board themselves, or any other directors could be;—that they will have stronger motives for good management than the London directors, in a pecuniary point of view; that they will have the same motives as regards their responsibility to their local constituents; and that they will also have to render an account of their management to the London directors—it may fairly be inferred that, nineteen times out of twenty, their management will be such as to call for no observation whatever from the London board.

Each Branch will be managed as a separate Bank; but the London Directors to have the same power as over an agent.—Each bank will be managed as if it were an independent establishment. It will have its own circulation, its own funds, its own London stock account, &c.; and if it should want to borrow money of the parent bank, or of any other branch, or *vice versa*, it will have to be done by negotiation. The initiative of management—the thinking and contriving how to make the bank profitable, will be thrown altogether upon the local board. The London directors, unless by general regulations applicable to all, will not trouble nor interpose without a special reason for it; the necessity for which it is reasonable to presume will seldom occur. At the same time the London board will have the same power of interfering as with an agent. They will not only have the power of directing and controuling, but of dismissing the directors, should it be necessary, and of winding up the concern; or otherwise, of calling upon the local shareholders to choose other directors. The same power, in short, so far as the parallel can be preserved, that Messrs. Gurney will reserve to themselves in the case

of their banks. The London board will also have proper returns, and a proper system of inspection, which will enable them at once to see if any thing be wrong.

This system capable of being carried to a great extent.—The branch system on this plan could, undoubtedly, be carried with far greater safety and success, to a much greater extent, than a system of agency, under any form. Indeed the more numerous the branches, the more certain the profit. If banking is profitable upon the average, the greater the average the better. All that the London company has to do, is to see that the shareholders of each local bank pay up capital amply sufficient to cover their share of any loss that may occur, and that the directors chosen are sufficiently respectable; and it is hardly possible for them to have too many branches so constituted.

This system will also afford great facilities for establishing banks in the smaller towns and agricultural districts, where they are so much wanted. Banking in these places is comparatively simple, and easily conducted; and if a body of respectable shareholders would take half the concern, and choose a proper board of directors to manage it, the bank could have but little difficulty in joining them. The risk would be trifling, if any, and so would the trouble; while a moderate profit could hardly fail to be realized, if it were but from the business of the shareholders themselves.

In most places the Bank would be opened first, and the shares given out afterwards.—Where, however, a good business was clearly to be obtained, the bank would probably proceed differently. Having obtained a few respectable parties as local directors, they would open the branch first, and leave the local directors to distribute the shares afterwards, with a view to extending and cementing the connexions of the establishment, after they had had time and opportunity for ascertaining how this was to be done with the greatest advantage. In this way a much better, and a more binding connexion, could be formed, than with twice the capital subscribed to an independent bank, which would be obliged to raise its capital before it could commence business. By this means consequently the bank would be able, in a great degree, to secure itself against that local competition, which would be fatal to a mere agency.

The Parent Bank will not subscribe capital, but allow the local shareholders an interest instead.—The parent

bank will not subscribe any capital to its branches, but will employ its capital in London, for its own benefit, and only afford them its credit. This will be no disadvantage to the branch; but in dividing the profit with the local shareholders, who have paid up their capital, it will be proper to make an allowance of interest for it in the first instance. The rate to be allowed ought to be determined by the value of money in London. In consequence of being upheld by the credit of the parent bank, and having it to apply to in case of need, it will be enabled to employ all its own capital in the country. Whereas, without this, it would have to keep it (and if it did an extensive business, probably a much larger sum,) in London, as a reserve fund, to be ready in case of an emergency. It will make more interest by being enabled thus to employ its capital in the country; but as this will be the result of the connexion, the advantage of it should be equally divided, and the interest be allowed that it would have obtained, had the connexion not existed. Besides this, the London company, whose capital will be raised for the purpose of supporting the credit of its branch establishments, will only make this rate of interest of it; and it consequently would be putting the parent bank, and its local shareholders, on an equal footing.

Hence *the advantages to the Parent Bank may be thus briefly stated*,—It will obtain one half the profits derived from the connexions and labours of its local shareholders and directors, with great safety and little trouble; and will, consequently, it is presumed, be enabled to establish branches wherever they are required.

The advantages to the local shareholders from the connexion may also be thus enumerated. First, In the superior credit derived from it.—The capital of a bank is only wanted for credit; it is not required for the purposes of banking, which consists in borrowing or receiving the deposits of the public on the one hand, and lending them out on the other; in circulating notes; and in buying and selling bills upon London, &c. For this credit is necessary, and capital is wanted for the mere purpose of giving it. No profit is made upon the capital beyond the low rate of interest frequently obtained for it. The resources of the Bank of England, upon which in times of difficulty the whole nation depends, are exclusively derived from its credit. The whole of its capital is lent to Government

and it has not a shilling of it at its own disposal. Now, although the branches would not have the disposal of the capital of the parent bank, they would have all the advantage from it which it is intended to afford; namely, the credit it would give them, which would be twenty times as great as what they could derive from their own, or from twice the amount were they to stand alone. They would, consequently, obtain more deposits, and be able to deal more extensively. As they would also be able to arrange with the parent bank for temporary assistance, should they ever require it, they might lend all the money, they received in the country, out to the public in the country again, upon any good security, that would yield them a good interest. By this they would make much more profit and give greater facilities to the country, than if they were obliged to employ a portion of it in London.

Second. In the distribution of the Shares.—The shares also would be distributed more advantageously, and though the local capital were only half the amount which a local bank might possess, that had the whole profit to divide on the spot, yet they would command as much business.

Third. In the circulation of its Notes throughout the kingdom, and other facilities.—Each branch would have an agent in every other branch, that would pay its notes, honour its drafts, present its bills, and answer its enquiries. When the branches came to be spread over all parts of the country, these facilities would be a great advantage. They would induce merchants and manufacturers of extensive dealings to give it a preference; while the nobility and gentry, who are continually travelling about, would find it a great convenience to deal with a bank of which the notes would pass everywhere, and which had everywhere an agent that would honour its drafts without trouble.

Fourth. In the smaller number of Directors that would be required.—The blind confidence which it is necessary for the shareholders to repose in directors of independent Joint Stock Banks, and the chances that some of them may not be very efficient, render it necessary that every board should consist of more directors than would be required, could their management be overlooked, and their efficiency be depended upon. This is a disadvantage which these banks labour under. Those who deal with banks are jealous of too many persons being made acquainted with their private affairs; but it is a disadvantage which will be

obviously guarded against by this plan, where the same degree of confidence is not called for. It will, clearly, not be necessary to appoint more directors than are required to manage the concern; as it may be arranged that they shall retire when they are unable to give the requisite attention to it. By this means it is probable that one half, at most, of the usual number of directors will be sufficient, which will give the branches a great advantage over local banks, in which the directors are more numerous.

Local Banks will be unable to contend against these advantages.—The only advantage which banks, exclusively local, could ever possess over the proposed branch establishments, would consist in the larger number of their shareholders, which, as has been seen, would not, probably, under the circumstances of their distribution, give them any superiority; while, on the other hand, it would be impossible for them very successfully to compete with all the other pre-eminent advantages which the proposed system of branches would thus enjoy; and there can be little doubt of its prevailing over every other.

The Shareholders will have more confidence in the management.—It may also be observed that it will be an advantage in the estimation of the local shareholders, which will make these branches be preferred, that the management of them will be under the review of competent judges. The shareholders might have no objection to place unlimited confidence in the local directors, were it necessary, and might sooner place it in them than in any other parties, but such confidence will never be given in preference where it can be avoided.

The controul of the London directors not an objectionable one.—It may perhaps be objected that it is proposed to give the London directors too much power; that it is not necessary for them to possess unlimited controul over men as respectable as themselves. In answer to this it must be observed, that it would be extremely difficult to define the proper limitations. That it is only in extreme cases where the power of dismissal would ever be used, and, in such cases, the more promptly it could be exercised, the better for all parties. That in point of fact, shareholders always reserve to themselves as much power as they can exercise with advantage; and that any partner in a private concern, under similar circumstances, would reserve to himself the same power over it. Besides which respectable

men would never complain of a reasonable controul which involved a beneficial connexion, even were it attended with an interference to which they would otherwise object. But such an interference would never occur. If the London board had any motives for interfering needlessly, the number of branches would be a sufficient guarantee against its being done. The directors could never be desirous of creating trouble to themselves. The whole of their arrangements, on the contrary, would naturally be directed to prevent the necessity of interference. In addition to this, it may also be observed, that the real management would necessarily be in the hands of the local directors, and the power and influence which it conferred would be proportioned to the credit, extent of business, and means of the establishment; and, in that respect, the branch directions would be more honourable, and more valued, than those of banks exclusively local. There are, likewise, always men of respectability willing to undertake these duties; and in most places there are numbers sufficient to supply directors for several banks: whereas, at present, local banks could only be formed, for reasons already stated, in few places, and the proposed establishment would be the only one for which directors would be required. If, therefore, the establishment be properly formed in London, there will be no difficulty whatever in getting men of the first respectability to take the management of its branches in the country.

Having thus discussed the principles of the plan, we shall briefly recapitulate it, and then proceed to consider the manner in which the capital would be best raised.

RECAPITULATION OF THE PLAN.

1. THAT a Company be established in London, with a suitable capital, as may be hereafter determined upon.

2. That it form branches in the country in connexion with it, which shall be separate banks, with each a body of local shareholders, interested in it alone, and not responsible for, or connected with, any other establishment.

3. That the profits or losses of the branch shall be divided equally between the local shareholders, and the London company.

4. That each branch shall be managed by a board of local directors, chosen by the local shareholders, subject to the inspection and controul of the directors in London:

that the London board shall possess supreme power, and be enabled to take any steps desirable for the interest of all concerned.

5. That the London company shall not advance any capital to the branches, but the local shareholders shall advance sufficient to cover their share of any losses that may possibly be incurred, and be allowed interest upon it; the rate of which to be determined by the value of money in London; after which an equal division of profits to be made.

6. It may be also added, that each company shall pay its own expences of management.

THE MANNER IN WHICH THE CAPITAL OF THE BANK WILL
BE BEST RAISED.

The usual Mode of Raising Capital, and the Objections to it.—The plan usually adopted for raising the capital for such undertakings is, to fix the amount of capital much higher than there is any immediate prospect of requiring, and then to call such part up, either at once, or by degrees, as may be necessary. The reason for thus fixing what may be termed the nominal capital high, most frequently is, to give an imposing appearance to a small subscription, in order to cover the undertaking with an air of respectability, which does not properly belong to it. But where there is any probability of the capital being ultimately required in case of the concern succeeding, it becomes necessary to have the power hereafter of calling for it, which, without it was conferred by the original contract, could not be done. When parties join an undertaking, they agree to pay their proportion or subscription if called upon, but no more. Any enlargement, therefore, beyond the amount so fixed, effected by the company itself, would require the consent of every individual. This, in concerns more especially that have been any time established, can never be obtained, however advantageous to the individuals, as some of the shares are almost always held in trust for others. Under such circumstances, therefore, no enlargement beyond the amount originally fixed, however desirable, could take place, without the consent of parliament; and this, except under particular circumstances, would be refused. Not that parliament would have the least objection to any concern enlarging its capital,—the more capital a bank in particular has, the better for the

public,—but the consent of parliament would be required to enlarge it, by breaking the original contract, and compelling certain parties to embark more money in the concern than they had agreed to do, and for some reason or other, would consent to. This parliament would at all times feel a difficulty in sanctioning, and to avoid the necessity of such an application, the easiest mode is to make the nominal capital high in the first instance. If it is never wanted, no harm is done; and if it is, an application to parliament is saved.

But to this mode of raising capital, experience points out many objections. In the first place, the system of nominal capital has been very much abused, and it would be desirable if the whole, or a great part of the capital subscribed, were called up. It would hardly, after the experience of the past, be considered respectable, were this not the case. Yet if this plan succeeds, it will not require less than five, and may require ten millions; and to call up the least of those sums, in the first instance, would be out of the question. The public would never subscribe to an undertaking in which it was proposed to call up so large a capital for the purposes of a business to be created.

In the next place, were the calls made by degrees in the usual manner, which must be the case if this plan be adopted. Experience has shewn that every call for capital, on a great scale, would be certain to bring so many shares into the market, at one time, as to depress them, and cause great fluctuations in their market price. This would give rise to much jobbing, and its attendant consequences, which would be very objectionable, and which it would be desirable to prevent.

In the third place, the directors on this plan would have no motive for extending the concern, and fulfilling the objects of it, but the reverse. After having called up one or two millions of capital, and found the unpopularity of calls, they would be induced rather to limit the operations of the company to the capital in hand, than call for any more. They would naturally think,—why should we extend our business, and give ourselves additional trouble, if it is neither to increase our dividends, nor the price of our stock? If we have to make further calls, the additional profits will merely have to be divided over a large surface: the profit on the existing capital will not be increased, while the market value of it will be reduced! It is clear that they

would do no such thing. They would, in preference, confine their operations to the capital in hand, by which the objects of the institution would only be in part fulfilled.

In the last place, it would not, on this plan, suit many persons to subscribe for the purpose of investment. They would not find it their interest, did it suit their convenience, to keep by them, for every share they held, and upon which ten per cent. might have been paid, a considerable portion of its nominal value, to meet future calls. Yet this would be necessary if they intended to hold their shares. Neither in all probability, would it suit the views of speculators, for the calls would be certain to reduce the price of the shares, and they would expect to purchase them at a discount. They would be disposed therefore rather to hold off with that expectation than subscribe. Hence it is very doubtful whether, on this plan, such a capital could be raised.

There are thus four objections to this plan of raising the capital.

1st. That it would not be respectable without the capital were paid up, and it would be too large to be so.

2d. That if a large capital were raised by a succession of calls, it must give rise to a great deal of jobbing, and its attendant consequences.

3d. That the plan would not afford a motive for fulfilling, but rather for defeating the objects of the institution.

4th. And finally, that it is much to be doubted whether so large a capital as would embrace the objects of the proposed institution, could be raised on this plan at all.

Plan of Raising the Capital proposed.—All these difficulties, however, are very easily overcome by the judicious adoption of a very equitable principle, namely,—that those who incur the risk of establishing the concern, should enjoy the benefits resulting from the extension of it. This is always aimed at in every undertaking, but often so clumsily, as for it to happen that those who first establish the concern suffer severely; while those who succeed them, enjoy the whole benefit of it. The plan is simply thus.

PLAN.

Let a capital, not more than sufficient to commence with, say a million, be raised in the first instance, which shall be called the *original* capital; and as more is required, let it

be raised by fresh issues of shares, at whatever premium they are worth, such premium to go exclusively to the *original* shareholders and establishers of the concern.

Advantages of the Plan.—By this plan all the foregoing objections would at once be removed.

1st. There would be no nominal capital. As the capital first raised would not exceed the amount necessary to commence with, the whole of it must, of course, be paid up; and as fresh shares would only be issued when further capital was wanted, they would, of course, be issued at their full value, for the same reason.

2d. The price of the stock would be kept steady, and all jobbing prevented. The company would not extend the concern and issue fresh shares, unless a fair price could be obtained for them; while having so many to issue, it is hardly probable they would, at any time, rise much above the company's price, until the whole capital had been raised. Material fluctuation, therefore, in their price would not occur; and all inducements to speculation in them, except for the purposes of investment, would be withheld, instead of being created as with calls.

3d. The premium which would be obtained on the sale of the fresh shares, if the undertaking was successful, would form a source of very considerable profit, and would render it a great object with the directors to extend the concern, in order to justify their enlarging the capital. Thus, instead of a demand for more capital defeating the reform proposed, by limiting the operations of the company, it would completely secure it, by holding out a powerful motive for extending them.

4th. Instead of there being any fear of raising the capital, it would be rendered doubly certain; first, by the limited amount that would be required in the commencement; and next, by the double source of profit secured to the original subscriber. There is nothing extravagant in supposing that, in seven years, the shares would rise to fifty per cent. premium. Indeed it is almost a matter of certainty; and if so, it cannot be questioned that the concern, in that time, might be extended so as to require at least five millions of capital. Now if we assume that only twenty-five per cent. premium would be on the average obtained upon the additional four millions issued, it would leave the original shareholder one hundred per cent. premium. To this must next be added fifty per cent.

from the success of the bank, and it would make his share, in seven years, worth £250. ; and this is a moderate calculation ; for although it may not be fully realized in practice, it is as likely to be exceeded. There is, consequently, not the most remote question of the capital being raised as soon as the subscription is opened ; whereas on the usual plan, as has been seen, the raising of the capital would probably be a matter of much difficulty, if it could be done at all.

Nor would the advantage which would thus accrue to the original shareholders be gained by the loss of others. The chief part of the additional capital would, of course, be raised after a dividend had been paid ; and would be bought by parties who would have run no risk in establishing the concern. They would consequently be entitled to pay a premium, would be willing to do so, and would lose nothing by it. They would only pay for the shares what they would be really worth. Whereas, on the other hand, by the premium being given to the original shareholders, on the plan proposed, the parties would obtain it who were best entitled to it, while all that would be disreputable and injurious to the undertaking, if it did not prove fatal to it, would, as we have seen, be avoided.*

Amount of Original Capital, and principle by which it shall be enlarged.—We have suggested that the original capital be one million. There is little doubt that, in a reasonable time, a profitable return might be obtained upon this sum ; while a less amount would hardly hold out the inducement of credit, which would be one of the chief advantages of the local shareholders in connecting themselves with the branches.

The enlargement of the capital also must be determined by a fixed principle, and the obvious and most simple one

* It has been proposed, and it is a proposal worthy of consideration, that the premium ought to be held for a given time, and not go to the original shareholders without the concern succeeded. Thus : let the premium originally given be marked on the certificate of each share ; and let the holder of it, at the end of a given time from the issuing of it, say seven years, have the option of calling upon the Company either to take the share off his hand, at the original price, or return him the premium. This he would do if the concern did not turn out according to the expectations formed, and the share was at a less price than he had given for it. If the concern did succeed, the shares would, in seven years, be above the price they were issued at, and the Company would gain the premium ; but, in that case, they would only do so provided they were entitled to it, and shares had really proved to be worth the money given for them.

is, that the amount of capital raised in London shall be equal to the aggregate of that raised in the country. By this, though the London bank will not pay any capital over to its branches, unless borrowed in the ordinary manner, to be repaid as may be agreed upon, it will raise as much capital for their purposes as they do themselves. Every new bank formed will consequently entitle the London company to add to its London capital a sum equal to the local capital of such bank. On the other hand, it must be obvious that if the concern does not succeed, it cannot be extended. The directors cannot indulge fanciful prospects, as is frequently the case, on the plan of calls, and compel the shareholders to advance more money at par, when, if they wished to enlarge their interest in the concern, they could do it better by purchasing the shares at a discount. Directors often pretend, in such cases, that they have nothing to do with the price of the shares, whereas they could not have any more conclusive evidence of the opinion of their constituents.

On this plan, however, no person will, at any time, be compelled to embark a shilling against his inclination.

With these few observations, we shall briefly recapitulate the terms of the plan.

RECAPITULATION OF PLAN FOR RAISING THE CAPITAL.

1. That an establishment be formed, in the first instance, with a million of capital, to be called the *Original Company*, the whole of which to be paid up.

2. That it proceed to form branches on the principle already proposed, until the local capital of its branches amounts to that sum.

3. That for every bank it may afterwards form, it shall enlarge its London capital to the extent of the local capital subscribed.

4. That the shares thus issued by the London company, shall be issued at such premium as they may be worth.

5. That the premium thus obtained shall go exclusively to the original shareholders and establishers of the concern.

OBJECTIONS TO THE FOREGOING PLAN CONSIDERED.

The details of this plan, as thus given, are not, as we shall have further occasion to remark, offered as having

received the final assent of those who are favourable to its general principles, but one which experience seems to have pointed out as worthy of consideration. In the mean time, it may be well to make an observation or two on the objections which have been offered to it.

1st. It has been observed, that to guarantee the transactions of directors in the country, is placing the London establishment in great risk. In answer to which, it may be observed first, that banking is not, in itself, a trade of great risk; and next, that whatever risk there is, is not increased, but much diminished, if not annihilated, by this plan, inasmuch as two checks, each of which, in practice, is found sufficient, are applied instead of one. People in the country have no objection to form a bank, and entrust its management to a board of directors, in whom they have confidence, without any controul over them, and see no danger in doing so. Banks, on the other hand, have no objections to form branches at a distance, and entrust them to agents or local directors, without any other check than their own inspection, and see no danger in doing so. Now this plan unites both these checks, by which, most assuredly, the risk is not increased, if, as before observed, it is not altogether annihilated. Besides this, the risk will be diminished by the number of the branches. It is not safe to insure a single ship, but it becomes perfectly so to insure some hundreds. Should a bank suffer any material loss (and the greatest loss that can be imagined could never be material compared with the capital of the London establishment), it would be covered by the profits of the remainder.

2d. Perhaps, *prima facie*, a more reasonable objection is, that the people in country towns would prefer banks of their own to being placed under the controul proposed. This, however, is a theoretical rather than a practical objection. In three places out of four, they must have a joint stock bank on this principle, or none. In the remainder, it will, no doubt, by many, be thought better to have an independent establishment; for men like power, and the very idea of controul is frequently disagreeable to them. But the question is, which is practically the best system? It does not follow, that because the proposed company may have a branch in a town, that there is not also to be an independent local bank; or because there is a local bank, that the proposed company is not to form a branch there also. Banks are in themselves, so respectable, that respectable people will

join them on any principle ; but that principle which is the best, will finally draw the most respectable people to it. It is a question which, ultimately, will have to be determined, not by theory, but by practice ; and there can be little doubt that it will be found, in practice, that the greater credit and resources of the national bank will give it the preference. At the same time, both may, and no doubt will, prosper.

3d. Another objection is, that the establishment is proposed to be too extensive. The answer to which is, that this is also a question to be determined in practice. It is not proposed to start on a greater scale at first than has been already found perfectly manageable, and then afterwards to extend the undertaking by degrees. If, however, the directors find they cannot extend it with advantage, they will, of course, not do so. But this is a point of management which must, of necessity, be left to their own discretion. There can be no reason to suppose they will have less than other people, and embarrass themselves with more business than they can manage. The establishment, in short, will commence in a comparatively limited scale. The seed only will be sown first, and whether it only becomes a tree of ordinary magnitude, such as is known can flourish, or a towering oak of the forest, will altogether depend upon whether it finds it can spread its roots as well as its branches, and nourish and sustain the stems it may put forth. This is the consequence of the plan ; although no doubt may be entertained of its proving as comprehensive in practice as it is in theory.

4th. Some also have observed, that it is proposing a monopoly ; and as so much objection has been made to the monopoly of the Bank of England, it would be wrong to create another one. But the monopoly of free trade, and the monopoly which prevents free trade, are very different principles : the one is as beneficial to the public as the other is injurious to it. If a shopkeeper monopolizes a large portion of the trade in any particular commodity to himself, by supplying the public on better terms than his neighbours, the public consider it an advantage, whatever his rivals in trade may do. They would never compare him to one, who obtained his monopoly by a law which prevented the competition of others, and enabled him to charge not a very low, but a very high profit. So with this company, it can only obtain a monopoly by serving the

public on better terms than other establishments ; and if it should obtain one on these conditions, it will be the better for the public. But this is out of the question. It will only be the first establishment of a better system. There is little doubt that its success will eventually lead to the formation of other and similar establishments, both metropolitan and local.

Upon the whole, the objections which have been made to the measure have been very few, and these generally neutralize each other. If one person thinks the terms of the connexion with the branches too favourable to the London company, another is equally impressed with the conviction that the local shareholders will be the greatest gainers of the two. The same with almost every other—it is certain to have its antagonist objection quite as strongly entertained, which, perhaps, is the best proof that could be offered of the plan being, on the whole, well adapted for the objects it is intended to accomplish.

THE STEPS WHICH HAVE BEEN TAKEN TO FORM THE
PROPOSED BANK,

A prospectus, containing the general outlines of the foregoing plan, having been circulated, and a conviction of the absolute necessity of practical steps being adopted to improve the banking system, being pretty generally felt, as also of the value of such an institution for that purpose, the following noblemen and gentlemen were last year (1830) induced to form themselves into a committee to promote its formation :—

The Most Noble the Marquis of BUTE
The Right Hon. the Earl of DARNLEY
Lord Viscount ALTHORP, M.P.
W. R. CARTWRIGHT, Esq. M. P.
Sir R. HILL, Bart. M.P.
W. HANNING, Esq.
T. JOPLIN, Esq.
Sir E. KNATCHBULL, Bart, M.P.
Sir T. B. LETHBRIDGE, Bart. M.P.
The Hon. H. T. LIDDELL, M.P.
T. P. MACQUEEN, Esq. M.P.
W. A. MACKINNON, Esq. M.P.
Sir H. PARNELL, Bart. M.P.
G. R. ROBINSON, Esq. M.P.
T. S. RICE, Esq. M.P.
CHARLES TENNYSON, Esq. M.P.
W. W. WHITMORE, Esq. M.P.

In order, however, to carry this measure into effect, it was thought desirable to have the support of ministers ; and, avoiding details, the following resolutions in favour of its general principles, drawn up by the present Right Hon. Secretary to the Treasury, were adopted, for the purpose of being laid before the late government :—

“ That the establishment of joint stock banks, under a proper system of controul and responsibility, appears to this meeting deserving of the consideration and encouragement of the government, the legislature, and the public.

“ That a system of banking, bringing under the review of a central board in London the issues of paper-money in the country, appears, to this meeting, calculated to lead to such prudent regulations as may apply the check derived from the state of the Foreign Exchanges, to the amount of the currency in circulation.

“ That a system of London management and subscription, applied to the direction of country banking, appears, to this meeting, well calculated at once to afford a profitable employment for capital where it is superabundant, and to give relief where local circumstances may have limited the amount and facilities of banking accommodation ”

The Bank of England, in consenting to the relaxation of its charter, in 1826, by which joint stock banks were allowed to have establishments at the distance of 65 miles from London, stipulated, that these banks were not to make their promissory notes payable in London; nor to draw bills of exchange upon London for a less sum than £50.; and also, that their shareholders were to be held personally responsible for their transactions, as in ordinary partnerships. These restrictions were considered to be a great impediment to the formation of the proposed bank, and the committee were desirous to have them abrogated, as well as to obtain the promise of a charter, limiting the liability of the shareholders to the amount of their subscriptions. There were no other obstructions than these to the formation of the proposed institution. The Act of 1826 prevents joint stock companies having establishments for practical banking in London, or within 65 miles of it, but does not prevent them from having boards of management, provided the establishment for business be at the prescribed distance. Indeed the Act was framed with reference to the probability of institutions being formed in London similar to the Provincial Bank of Ireland; which is a London company for banking in Ireland under precisely the same restrictions: the restrictions, in fact, having been copied from the act for Ireland, under which the Provincial Bank was formed. There were, therefore, no legal impediments to this bank, under which the Provincial Bank did not labour. The latter, however, was formed during the rage for joint stock companies, when such impediments were less insurmountable. But since then, one extreme has begotten the other, and restrictions and difficulties, which might at that time have been overcome, must now be removed: more especially

that one which renders shareholders, in such an undertaking, liable for them, in the whole of their property. This liability, indeed, nearly prevented the formation of the Provincial Bank of Ireland, (most injuriously to the country, had it done so,) and did induce several to withdraw from it, when it was found that a charter could not be obtained. But the shares being at a premium, and the public willing to give a bonus for them, persons were led to doubt the justice of the apprehensions so few appeared to entertain. The majority were, in consequence, induced to hold their shares, and proceed with the undertaking: for it may be remarked that the effect of the premiums given for the shares of the different companies then set on foot, was to induce some to sell; but more to hold, if they could afford to do so. Without this, the shares never could have reached the premiums they did. The premiums, in short, were quite as much the cause of confidence as the effect of it.

It must also be observed, that this undertaking could not, were it disposed, avail itself, in the same manner, of the premium which its shares would undoubtedly rise to, All the banks that have been since established, since the mania referred to, have prevented any transfer of their shares, until a year after they were formed, and the operations of the first year were known; by which no person could obtain shares who merely intended to dispose of them, or any part of them, for the sake of the premium, without paying up the capital upon them, and without waiting until all illusions upon the subject were dissipated. Every subscriber must found upon a sober calculation of actual success, and not upon benefiting by the folly of other people. Indeed, if some such rule were not adopted for this undertaking, it would be repudiated by the country. However useful to the Provincial Bank of Ireland, and however free from any abuse in the instance of that undertaking, allowing the sale of shares before the capital is paid up, is a principle so liable to be abused, that it can never again be adopted by an institution of similar respectability. This establishment must, therefore, be formed on public grounds simply. No inducement whatever can be held out to its first promoters, that they would not obtain as simple shareholders, except the sense of good which they may be instrumental in conferring upon the community at large. Hence, if any prejudices are entertained with regard to the liability in question, it is not un-

natural that it should prove an impediment to the formation of the bank. It is unreasonable to expect that people will risk, even in idea, a large property, in a mercantile pursuit, for nothing. At the same time, if the risk is merely imaginary, the public gain nothing by its being incurred; while it suffers materially from the obstruction it offers to the formation of institutions of great utility, which are imperatively called for.

It may, however, be remarked, that if this liability has not prevented the formation of small banks in the country, where it is something more than nominal, these prejudices must be greatly removed. The banks, however, in the country, are in general on a confined scale, and have been formed, chiefly, by men of business and others, who are in management of them themselves; and who, from the comparatively limited extent of business, feel no apprehension that any danger can arise which they themselves will not be able to perceive and prevent; and they in general have been subscribed to by the public, not so much from confidence in the principle, as from confidence in the individuals.

But the merchants and citizens of London, it must be observed, by whom this bank will chiefly have to be managed, however wealthy and respectable they may be, are very little known out of London, unless they be in parliament; and their names, as directors, would hardly inspire any confidence, were they not associated with persons whom the nation at large are better acquainted with. Two thirds of the shares of the Provincial Bank of Ireland are in the hands of persons resident in Ireland, while the business of the establishment is conducted by a board of directors, the majority of whom are totally unknown to the people of Ireland. But there are amongst them, Mr Spring Rice, Mr G. R. Dawson, who are connected with Ireland, and two or three other gentlemen, with whom the Irish public are equally well acquainted; and these are a sufficient evidence of the respectability of the whole. The same with the establishment proposed. It will be necessary for it to have in its direction, not only men of fortune and respectability in the city, but men of wealth and consideration connected with the country, who, from their connexion with parliament, or otherwise, are more publicly known. The confidence, however, thus implanted, requires a confidence in the safety of the principle to be previously entertained, which has not yet become general.

Besides which it must likewise be observed, that at the outset, the bank will chiefly have to be set on foot by country gentlemen. The Bank of England, whether justly or not, is supposed to be jealous of this undertaking; and the private bankers in London, cannot, upon the whole, be very favourable to it; for, though it may not affect them immediately, it will affect their country correspondents.* These interests, of course, are very powerful with the mercantile community, and it can hardly be expected that the merchants in the city will be disposed to step forward with very great eagerness, until the institution is, at least, certain to go on, however well they may think of it. Neither, perhaps, is it desirable that the mercantile part of the direction should be filled up, without some previous enquiry and consideration as to the eligibility of the parties. The individuals who compose the direction must not only

* Many persons, however, who have not reflected much upon the subject, imagine that joint stock banks will succeed in London as well as in the country. But in this they are in error. The business of public banks is chiefly with the middling classes; and where there are private banks of great credit, the best accounts are kept with them. This is the case, as has been observed, in Edinburgh, and is still more likely to be so in London, where a banker is required as a friend and referee, as much as for any other purpose, which a public bank could not become. In the country also, the general knowledge which every director has of the credit of individuals, renders it comparatively easy for a board to manage transactions with its customers. But in London the directors can have little, or no such knowledge, and the difficulty of management will, in consequence, be infinitely greater. Those confidential explanations, in short, which private bankers will receive, and act upon, could never either be made to a board, or influence its conduct; and there can be little doubt that the ordinary banking business of London will continue to be chiefly transacted by private banks, as long as they are permitted to exist. At this moment the Bank of England, after the form of opening an account is once gone through, will transact the business of any house for nothing. It does not allow an account to be over drawn; but it will receive the cash, and pay the cheques of any house, without requiring a balance to be kept in its hands by way of remuneration, as is the case with private bankers, and it will discount at as low a rate of interest. Yet private bankers are preferred. Now no public bank could do business for less than nothing; and the probability is, that the chief business of London will continue in its present channels. At the same time, there will, in all probability, still be a business for public banks worth cultivating, although it will never exclusively afford employment for a great capital. The great establishments of London, will be all country banks, even after the trade is thrown entirely open. Neither would throwing open the circulation of London to competition, make any material difference. Those banks would obtain it, who have the most numerous transactions with the public in paying and receiving; and the circulation would chiefly fall either into the hands of the private banks, or establishments which they would form amongst themselves, to keep the profit of it in their own hands.

be highly respectable, but possess the ability, and the leisure, as well as the inclination, necessary to induce them to give the attention which will be required in laying the foundation of such an important institution. Two thirds of many directions of public institutions consist of parties who are only nominal directors, which would not be proper in this case.

If the capital was raised, however, and the establishment about to proceed, there can be little doubt, that not only a highly respectable, but a valuable direction, in every other respect might be formed. The merchants of London, from the anti-social nature of their own pursuits, are not indisposed to undertake the management of public business, if adapted to their convenience. In every other town but London, business begets personal and friendly intercourse; and there is mostly an hour or two, in every day, in which the merchants meet in the news rooms, or the exchange, and mix up business with general conversation, by which the tedium of it is relieved, and the spirits refreshed, and prepared for the more intense and laborious occupations of the counting house. But in London, there is nothing of this. Every person pursues his business in the solitude of his own office; and as the more laborious part is generally confided to clerks, or junior partners, the wealthy merchants have generally an hour or two, and sometimes the greater part of the day at their own disposal, which they are not sorry to spend in meeting a board of respectable men, for the conducting of any public establishment. Hence, directions in London are, for the most part, valued and sought after, and are, in general, highly respectable.

The direction of the proposed bank will also possess many attractions. Banking on so large a scale will, in itself, possess much interest; the connexions and influence of the establishment will be great; the intermixture of intelligent country gentlemen will not render the association less agreeable; its success can hardly be a matter of doubt; and the public good to be effected by it, will be very considerable: which latter will not be an unimportant consideration with the class of men required. Hence there cannot be much doubt of a valuable direction being obtained, after the undertaking is made public and the subscription to it received.

Now though the first steps in such an undertaking may easily be performed by men of sense and business, who

are not in trade : such as receiving the subscriptions, nominating a board of directors, negotiating with government, &c. ; yet they may be very unwilling to incur an undefined risk, or, by their names, induce others to do so. The less practically conversant people are with a subject, the more prejudices are they likely to entertain about it ; and as such an establishment could not be formed, at least on the best principles, without them, if it could at the present moment be formed all, a charter, or Act of Parliament, to limit the liability of the shareholders, was considered by the committee to be essentially necessary. It was, therefore, as before mentioned, resolved to apply to the government to obtain one, as also for an amendment of the law relative to joint stock banks generally. This likewise was done with the more confidence, as the declarations of Ministers in Parliament evinced a great desire on their part, that an improvement in the stability of our banking system, by the establishment of joint stock banks, should take place ; and it was naturally inferred, that a mode of promoting this improvement so effectual as the proposed establishment would be gladly encouraged. The following noblemen and gentlemen, consequently, waited upon the Duke of Wellington and Mr. Goulbourn, to express the views of the committee upon the subject, and secure the sanction and support of the government :—

The Earl of DARNLEY	Sir E. KNATCHBULL
Lord ALTHORP	Mr. TENNYSON
Sir T. B. LETHBRIDGE	Sir H. PARNELL
Mr. RICE	Mr. JOPLIN.

The Duke of Wellington, in answer to the deputation, stated that the government had the subject under consideration, but declined entering upon any discussion of it, on the ground that the Bank of England must first be consulted.

A charter, in which the limitation of responsibility, should commence after the charter of the Bank of England had expired, would have answered the purpose. Indeed, with the least encouragement from the government, afforded either directly or indirectly, the proposed institution could at any time have been formed : and something more than a cold assent to measures of great public utility is generally expected from a paternal government, more especially if the difficulties to be overcome be great.

It had been admitted, however, by every minister, at the time and since the passing of the Act of 1826, who had spoken upon the subject, that charters ought to be granted to joint stock banks; and if so, there could be little question that they must be granted to banks with large capitals, formed by persons whose object was not their own but the public benefit. Little doubt, therefore, was entertained, that if the public were disposed to subscribe to the institution, that all the necessary facilities would eventually be obtained for it; and the next step to be taken was to issue a prospectus, and ascertain, before any thing further was done, whether the public were disposed to subscribe to it or not. But with this view, a re-composition of the committee was necessary; and a meeting was held for that purpose, Sir H. PARNELL in the chair, when the following members of the old committee, with power to add to their numbers, were chosen, to carry this intention into effect:—

The Most Noble the Marquis of BUTE
 The Right Hon. the Earl of DARNLEY
 W. R. CARTWRIGHT, Esq. M.P.
 Sir R. HILL, Bart. M.P.
 W. HANNING, Esq.
 T. JOPLIN, Esq.
 Sir E. KNATCHBULL, Bart. M.P.
 Sir T. B. LETHBRIDGE, Bart. M.P.
 The Hon. H. T. LIDDELL, M.P.
 T. P. MACQUEEN, Esq. M.P.
 W. A. MACKINNON, Esq. M.P.
 Sir H. PARNELL, Bart. M.P.
 G. R. ROBINSON, Esq. M.P.
 T. S. RICE, Esq. M.P.
 CHARLES TENNYSON, Esq. M.P.

Shortly after this, however, all further proceedings were suspended by the change which took place in the ministry, and have continued so by the succession of exciting events, both foreign and domestic, that have since occurred. But it is presumed that, after the Reform Bill is passed, the public and public men will deem it necessary again to turn their attention to the subject of the proposed institution, and the improvement, so imperatively called for, which would be effected by it.

STEPS WHICH ARE NOW PROPOSED TO BE TAKEN.

SINCE the committee, last mentioned, was chosen, some changes have taken place with respect to different members of it. One Noble Lord, whose loss is deeply deplored by his friends and regretted by his country, is no more; and other gentlemen will be prevented by these changes from giving that personal assistance to the undertaking which it would otherwise have received from them. At the same time the sentiments of these last mentioned parties are not at all altered. They had no motive in coming forward to promote the undertaking than the public welfare; and it may be inferred, that nothing which has occurred to any party has altered that feeling in any respect. It is still the wish of all the existing members of the committee that the establishment should be formed. It is a matter of too much importance, either to have been hastily taken up or to be hastily abandoned; and, individually, the co-operation of every member will be given, until at least those difficulties have been overcome, which are apt to impede the first steps of every such undertaking. On the other hand, several active and intelligent members have been added to the committee, who will amply supply any deficiency in personal assistance which might otherwise have been felt. The course which it is consequently proposed to adopt, may be thus stated:—

1st. Public attention having been called to the subject, the probability is that many gentlemen, connected both with the city and the country, may be desirous to assist in promoting the measure, some as members of the committee, who may be extremely valuable in that character, and others as agents of, or friends to the undertaking, in different parts of the country, to which they may wish the benefits of it extended, and it will be the business of the committee to avail themselves of the assistance of such parties.

2nd. The first proper object of the committee being to ascertain the disposition of the public to subscribe to the undertaking, it will also receive subscriptions for that pur-

pose, either addressed to the committee, or to the respectable individuals, in different parts of the country, who have liberally offered their gratuitous assistance in thus laying the foundation of the establishment. It, at the same time, may be observed, that there is not any doubt that the public only wait for the opportunity of subscribing to the establishment, which will be thus afforded, in order to do so. This is inferred, not only from the sentiments which have been generally expressed, upon the subject, but from the eagerness with which the capital has been recently subscribed to other undertakings. Rail roads, for instance, requiring three times the capital, which will take four or five years, at the earliest, before any dividends can be received, and whose prospects of success are neither so great nor so certain as this establishment holds out, have been subscribed to without hesitation.

3rd. As the subscriptions are received, a deposit will be called for to be paid, to the account of trustees nominated by the committee, into such banking houses as they shall appoint.

4th. After such a number of shares shall have been subscribed as shall render the formation of the establishment no longer doubtful, a general meeting of the shareholders will be held, to consider the further steps to be taken; when it is also proposed that a re-election of the committee shall take place; and when, as the further co-operation of all the existing members will have ceased to be necessary, some of those chosen last year may, perhaps, from circumstances arising out of the political changes adverted to, be led to retire, while the gentlemen whose valuable assistance has since been obtained, and those who, in the mean time, may be added to the committee, will be submitted to the meeting for its approbation.

With reference to the general principles which it has been thus attempted to explain and illustrate, the committee have agreed to issue the following Prospectus, without, however, pledging themselves either to all the sentiments expressed in the foregoing observations, or to the plan proposed, until after it has been more maturely considered with a view to reducing it to practice.

PROSPECTUS

OF A

NATIONAL

METROPOLITAN ESTABLISHMENT

FOR

BANKING IN THE COUNTRY.

THE numerous bank failures, and the repeated panics, with which this country has been afflicted, and from which Scotland has been totally free, and the want of capital experienced in the agricultural, and other districts, which banks on the Scotch system would supply, have demonstrated at once the necessity and desirableness of proper steps being taken to introduce that system into this country.

In doing this, it would be likewise desirable to furnish a stay and support to the existing private banks; and both these objects, it has been thought, might be accomplished, if the system were introduced, by the formation of a national bank in the metropolis, which should spread itself, by means of branches, over the country.

The practicability of such an establishment has also been sufficiently demonstrated. The Provincial Bank of Ireland is a company of this description. It has its chief board of direction in London, while its branches, under the management of local boards, which it has been enabled to conduct with great safety and success, are spread all over the provincial parts of Ireland. The metropolitan banks of Scotland, which also spread themselves by means of branches, in a similar manner, are, likewise, the most valuable institutions of that country; not only from their conducting their own banking operations on superior principles, but from the stay and support they afford to the private banks, and other establishments, when in any difficulty.

Such an undertaking, it has been also conceived, would afford a fair return for those who invested their capital in it. Of ten or a dozen banks, which have been formed under the act of 1826, for legalizing joint stock banking companies, having their establishments for business at the distance of 65 miles from London, none appear to have done ill, while the greater part have succeeded in an extraordinary manner. This is shewn by the following premiums, at which the shares of several of them sell:—

Manchester Bank	25	per cent. prem.
Workington Bank.....	50	ditto
Halifax Bank.....	50	ditto
Lancaster Bank	60	ditto
Huddersfield Bank.....	70	ditto
Birmingham Bank.....	120	ditto
Bradford Bank	130	ditto

These premiums are also, it appears, the result of actual success: none of them having permitted their shares to be sold until after they had reported the result of their first year's operations, and some having been in existence two or three years. Nor is there any reason to conclude that a metropolitan establishment would not, on the average, succeed as well as these have done; if there are not, on the contrary, reasons for supposing that such an establishment would be preferred. Hence, there cannot be much doubt, that while such an institution would be highly beneficial to the country, it would be equally so to those who subscribed to it, and it has accordingly been proposed to form one.

Its success it has likewise been proposed to secure by another arrangement, which may, with great propriety be

adopted. It is necessary, in order to the respectability of the establishment, that the whole of the capital should be paid up. But the capital, ultimately required will be very large. It has been estimated that it may even amount to ten millions, if the undertaking be completely successful. It will, however, only be wanted by degrees; and to call up any considerable portion of so large a sum before it is required, would be out of the question. It is, consequently, proposed to form a bank with only one million of capital in the first instance, and, as more capital is required, to obtain it by issuing fresh shares, after the undertaking has proved successful. This being the case they will, of course, bear a premium, and this premium it is proposed shall devolve to the subscribers of the ORIGINAL CAPITAL of One Million; thus yielding a double profit to those who establish the company.

It was found, by experience, that many persons who would not subscribe to an undertaking in the first instance, are very willing to give a premium for its shares after it is successful; while it is obvious, that the first establishers of a concern ought to derive whatever profit is to be thus obtained: though it too frequently happens that the first subscribers suffer materially for the benefit of those who succeed them. This injustice will be prevented by this arrangement, while many other advantages will be secured by it, both as regards the respectability and final success of the undertaking.

Hence, in estimating the probable amount of profit, if the success of the banks already formed were taken as a criterion, the prospects of advantage to the original subscribers from the profits of banking, on the one hand, and the enlargement of the capital, on the other, which would be secured by this plan, could not be fully stated without the appearance of great exaggeration. It may, however, be assumed as in the highest degree probable, that the stock of this institution will, before, say, seven years, be at 50 per cent. premium, and that its capital will have been enlarged to, say three millions, at half that premium, on the average, making a profit to the original shareholder of 100 per cent.; namely, 50 per cent. by the success of the bank, and 50 by the increase of its capital. While this cannot be considered an exaggerated view on the one hand, the chance of loss on the other, will be trifling—the capital not being sunk as

in other undertakings, and the expences at the outset being comparatively small: the amount, it may be right to observe, of any deposit which it may be deemed advisable to require, will be intended as an earnest of the intention of the parties, and not as any criterion of the cost of forming the establishment.

Upon these principles, with respect to the capital, it is consequently proposed to form such an establishment; and in order to carry it into effect, a committee was last year (1830) formed, who intend to obtain, if possible, such an improvement in the existing laws relative to banking, as to remove whatever impediments may obstruct its formation, and also a charter from the crown. In this they hope to succeed; but it is previously necessary to ascertain the disposition of the public to subscribe to it. Their further efforts must be grounded upon the fact of a body of persons being ready to form such a bank, if the necessary facilities be obtained. It is consequently proposed,—

CONSTITUTION.

1. That a metropolitan establishment shall be formed for banking in the country.

2. That it shall have its supreme seat of direction in London.

3. That it shall have branches in the provincial towns where they are now, or may hereafter be, admitted by law, and where they can be formed with the prospect of advantage to the institution.

4. That the board in London shall consist of twenty-four, or such other number of acting directors, as may be hereafter agreed upon; and be composed of two-thirds commercial men, and one-third country gentlemen, together with honorary directors, presidents, &c. as may be hereafter determined.

5. That the branches shall be managed by boards of local Directors, on principles to be hereafter arranged.

6. That the qualification of an acting London director shall be £2,000. stock; and of a country director £1,000.

7. That a balance-sheet of the affairs of the company shall be annually published.

CAPITAL.

8. That the capital in the first instance shall be *One Million*, to be termed the ORIGINAL CAPITAL, to be subscribed in shares of £100. each: the whole to be paid up, by instalments, in a given time, say in twelve months after it commences business.

9. That the capital shall be further enlarged, after the undertaking has proved successful, as additional capital may be wanted, by fresh issues of shares, on the principles which have been mentioned.

CONDITIONS OF SUBSCRIBING, &c.

10. That a deposit shall be paid, upon subscribing, into the hands of trustees, as shall be appointed by the committee.

11. That the shares shall not be transferable until the capital be paid up, or until one year after the company be formed, as shall hereafter be agreed upon; *but before any more than the deposit is called for, an abstract of the charter, act, or deed, under which it is proposed the company shall be instituted, shall be sent to each subscriber for his approbation, and, should he not approve thereof, his deposit shall be returned, subject to such expences as may have been incurred.*

12. That one half the capital shall be apportioned to the first subscribers, of not exceeding fifty shares each, in the order of their application, but the other half shall be distributed with reference to the interests of the institution.

13. That should any portion of the capital remain unsubscribed, after the formation of the bank is finally determined upon, the committee shall be at liberty to dispose, on behalf of the company, of the whole, or any part thereof, by contract, at not less than par, granting the contractors the privilege of immediate transfer.

MEETINGS.

14. That a general meeting may be called as soon after the deposits are paid upon £300,000. of subscription, as the committee may think desirable.

15. That this meeting shall re-elect the committee, and consider the steps further to be taken.

16. That subscribers residing ten miles from town shall be allowed to attend and vote by proxy.

17. That an authentic report of the proceedings at the general meetings shall be preserved, and copies sent to the subscribers in the country.

18. That it is proposed that the establishment shall be designated the Royal Bank, and each branch the Royal Bank of the place where situated, permission being obtained for that purpose.

19. That these terms and conditions shall be subject to any alterations or modifications which may be thought advisable by a general meeting of subscribers.

The conditions of subscribing thus proposed, it is hoped, will be considered unobjectionable. Persons wishing to do so may, consequently, apply by letter, addressed to

*The Committee for constituting the National Bank,
29, St. Swithin's Lane, London;*

or to any of the following parties, who will obligingly give their gratuitous assistance to the committee, and to whom a

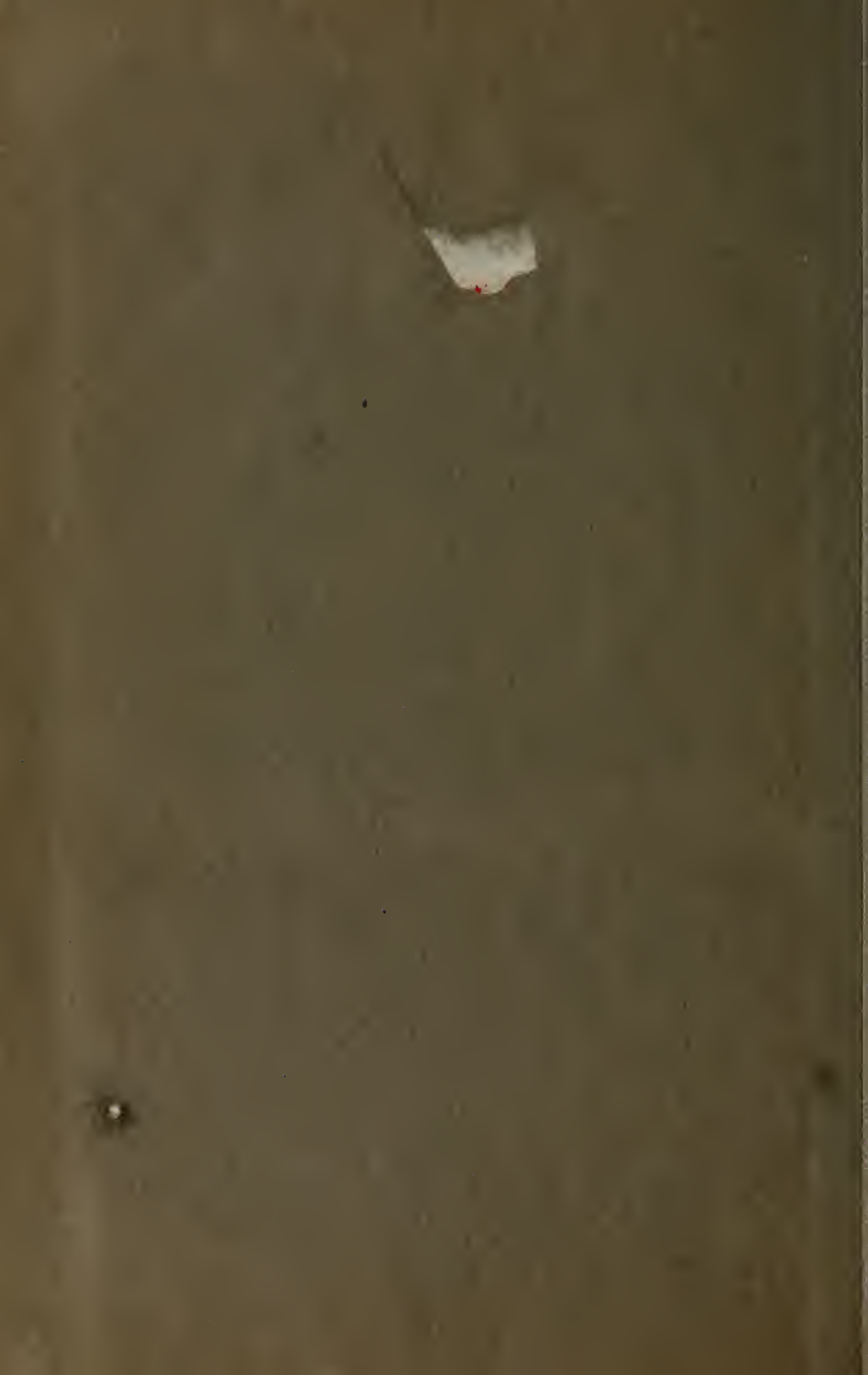
portion of shares, according to the amount of applications, will be assigned for distribution.

Barnsley	Messrs. W. & E. Newman, Solicitors	
Birmingham	F. Wills, Esq.	Ditto
Blackburn	Messrs. Carr & Hargreaves...	Ditto
Bolton	Messrs. A. L. & E. Haworth..	Ditto
Bristol	L. O. Bigg, Esq... ..	Ditto
Bromyard	R. Dangerfield, Esq.	Ditto
Burslem	Messrs. W. & T. Harding..	Ditto
Cheltenham	Messrs. Straford & Cox	Ditto
Chester	H. Kelsall, Esq.....	Ditto
Derby	F. Jessopp, Esq.	Ditto
Glocester	B. Bonnor, Esq.....	Ditto
Hereford and Ross	Messrs. Hall & Humfrys ...	Ditto
Hull	C. Frost, Esq.	Ditto
Kidderminster	W. Brinton, Esq.	Ditto
Leicester	Messrs. Robinson & Ingram	Ditto
Leominster	W. Preece, Esq.....	Ditto
Leeds	Messrs. Moore & Snowdon	Ditto
Lincoln	R. Mason, Esq.	Ditto
Liverpool.....	Lowndes & Robinson.....	Ditto
Louth	F. Lucas, Esq.	Ditto
Ludlow	Messrs. Anderson & Downes	Ditto
Manchester	T. W. Winstanley, Esq. ...	Ditto
Newcastle-on-Tyne	Messrs. C. & P. Fenwick...	Ditto
Nottingham.....	C. Swann, Esq.	Ditto
Preston	R. Bickerstaff, Esq.....	Ditto
Rochdale	J. Woods, Esq.	Ditto
Stockton	Messrs. Clarke and Bayley...	Ditto
Sheffield	J. Dixon, Esq.....	Ditto
Shrewsbury	J. Williams, Esq.	Ditto
Stafford	T. D. Weaver, Esq.	Ditto
Wakefield	T. Taylor, Esq.	Ditto
Wellington, Salop	C. R. Robinson, Esq.	Ditto
Wigan	J. Lord, Esq.	Ditto
Wolverhampton ...	J. Foster, Esq.	Ditto

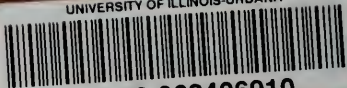
The committee will further be happy to obtain the assistance and support of persons of respectability and intelligence, in different parts of the country, who may feel a wish to extend the benefits of the institution to their respective towns or neighbourhoods, and will be glad to receive any communications from such parties.

THE END.





UNIVERSITY OF ILLINOIS-URBANA



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